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REPORTS
FROM
COMMITTEES:
SIXTEEN VOLUMES.

—(11.)—

REVENUE DEPARTMENTS ESTIMATES;
SEA FISHERIES REGULATION BILL; SMALL HOLDINGS.

Session
9 February 1888 — 24 December 1888.

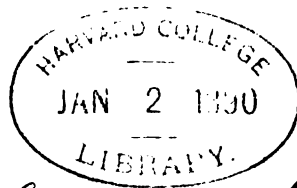
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VOL. XVIII.

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1888.

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Br-Doc 650



Summer fund.

REPORTS FROM COMMITTEES:

1888.

SIXTEEN VOLUMES:—CONTENTS OF THE ELEVENTH VOLUME.

N.B.—*THE* Figures at the beginning of the line, correspond with the N° at the foot of each Report; and the Figures at the end of the line, refer to the MS. Paging of the Volumes arranged for The House of Commons.

REVENUE DEPARTMENTS ESTIMATES:

272. Report from the Select Committee on Revenue Departments Estimates; together with the Proceedings of the Committee, Minutes of Evidence, Appendix, and Index. p. 1

SEA FISHERIES REGULATION BILL:

303. Report from the Standing Committee on Trade (including Agriculture and Fishing), Shipping, and Manufactures, on the Sea Fisheries Regulation Bill; with Proceedings. 403

SMALL HOLDINGS:

358. Report from the Select Committee on Small Holdings; with the Proceedings of the Committee. 413
-

R E P O R T

FROM THE

SELECT COMMITTEE

ON

REVENUE DEPARTMENTS ESTIMATES;

TOGETHER WITH THE

PROCEEDINGS OF THE COMMITTEE,

M I N U T E S O F E V I D E N C E,

AND APPENDIX.

Ordered, by The House of Commons, to be Printed,
11 July 1888.

LONDON:
PRINTED BY HENRY HANSARD AND SON;
AND
Published by EYRE and SPOTTISWOODE, East Harding-street, London E.C.,
and 32, Abingdon-street, Westminster, S.W.;
ADAM and CHARLES BLACK, North Bridge, Edinburgh;
and HODGES, FIGGIS, and Co., 104, Grafton-street, Dublin.

Ordered,—[*Tuesday, 13th March 1888*]:—THAT a Select Committee be appointed to examine into the Estimate for the Revenue Departments, and to report their observations to the House.

Ordered,—[*Monday, 26th March 1888*]:—THAT the Select Committee on Revenue Departments Estimate do consist of Seventeen Members.

Committee nominated of—

Mr. Arthur Acland.	Mr. Heneage.
Mr. Baumann.	Mr. Jackson.
Mr. Preston Bruce.	Mr. Kilbride.
Mr. Brunner.	Mr. Mowbray.
Mr. Richard Chamberlain.	Mr. J. F. X. O'Brien.
Mr. Dixon-Hartland.	Mr. David Plunket.
Mr. John Ellis.	Mr. Raikes.
Mr. Hankey.	Mr. Stansfeld.
Mr. Henniker Heaton.	

THAT the Committee have power to send for Persons, Papers, and Records.

THAT Five be the Quorum of the Committee.

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MINUTES OF EVIDENCE	- - - - -	p. 1
APPENDIX	- - - - -	p. 251

R E P O R T.

THE SELECT COMMITTEE appointed to examine into the ESTIMATES for the REVENUE DEPARTMENTS, and to report their Observations to the House;—HAVE agreed to the following REPORT:—

YOUR Committee have examined into and taken evidence upon the Customs, Inland Revenue, Post Office, Post Office Packet Service, and Post Office Telegraphs Estimates for the current year.

1. In the CUSTOMS ESTIMATE they note a net decrease upon the previous year of 13,928 *l*.

The only witness examined was Sir Charles Du Cane, K.C.M.G., Chairman of the Board. This Estimate shows signs of careful administration and of reductions made, pending the definite determination of the question of the amalgamation of the Customs and Inland Revenue Departments.

Your Committee observe with satisfaction that although the increased charge for superannuation during the last five years, consequent upon reductions of staff, has amounted to 30,320 *l*., the net saving thus effected is represented by the annual sum of 68,865 *l*. Q. 2667.

2. The INLAND REVENUE DEPARTMENT ESTIMATE shows a net increase of 43,750 *l*.

The decreases amount to 28,613 *l*., of which 4,881 *l*. is a reduction, for the year, in respect of the annuity to the National Debt Commissioners for commutation of pensions; the balance of about 24,000 *l*., representing the saving on salaries and allowances, consequent on reduction of staff.

The increases amount to 72,363 *l*., of which the principal items are 30,400 *l*. in respect of statutory and extra poundage to Collectors and Assessors of Income Tax and House Duty, and extra poundage to Collectors; and 14,500 *l*. for copies of Poor Rates, dividend lists, and valuation rolls for Income Tax purposes. Almost the whole of this increase is due to the triennial assessment under Schedules A. and B., and will not recur during the next two years. There is a further item of 24,750 *l*. in respect of increased superannuation and compensation allowances. Q. 2854.

On this Estimate the principal witness examined was Sir Algernon West, K.C.B., the Chairman of the Inland Revenue Board, who gave much valuable and interesting evidence.

Sir Algernon West's explanation of the considerable increase in superannuations is that 13,000 *l*. out of the 24,750 *l*. is attributable to the retirement of men over 60 years of age and of more than 40 years' service, and who had therefore earned their retirement; that the balance is more than met by the saving Q. 2878.

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Q. 3106, 3120, 3130. saving in respect of salaries; that 237 men less are earning superannuations; that the per-centage charge of superannuations to salaries was in 1860, 26·89, is now 21, and the proportion will continue to decrease; and that the revenue was collected in 1847-48 at a cost of 4½ per-cent., reduced for the year 1886-87 to 3½, or more exactly 3 l. 8 s.

Q. 2880. Sir Algernon West points out a possible future economy in suggesting that it will never, in his opinion, be necessary again to hold a first class examination for the Inland Revenue Department, as he is perfectly satisfied that the men who enter the lower division will be always fully competent to take the place of any of the first class men, as vacancies arise.

Q. 2947, &c. Sir Algernon West communicated to the Committee his reasons for desiring a consolidation of the Customs and Inland Revenue Departments, on the score of greater simplicity, efficiency, and economy; we desire to direct attention to his evidence upon this subject, but refrain from making any express recommendation, as being beyond the scope of our inquiry.

3. POST OFFICE ESTIMATE.

The principal increases are as follows :—

	£.
In respect of salaries, wages, and allowances - - -	77,963
Provincial Establishments - - - - -	128,046
<i>Post Office Savings Banks and Government Annuity and Life Insurance business - - - - -</i>	<i>69,399</i>
The principal decrease is a saving in respect of sites and buildings of - - - - -	28,000

The first witness examined was Sir Stevenson Arthur Blackwood, K.C.B., Secretary to the Post Office.

Q. 20, 21. With regard to the decrease of 28,000 l. in respect of sites and buildings, the explanation appears to be that the sum in the Estimates of the previous year was unusually high, owing to the purchase of a site for the extension of the General Post Office on the north of the present building.

Q. 25, 26, 27. The increase of 69,399 l. in Sub-heads E. and F. for Post Office Savings Banks and Government Annuities and Life Insurance is mainly owing to the purchase of additional land for the extension of the Savings Bank Buildings in Queen Victoria-street. The whole of the cost incurred in connection with Savings Banks is repaid, not to the Post Office, but to the Exchequer, from the Savings Bank Funds, being entered as an "extra receipt" in the Finance Accounts of each year; differing from the rule now applied in the case of the Post Office Packet Service, where the amounts recoverable from India and certain colonies, in respect of service performed for them, under the Packet Vote, are treated as a reduction of the vote.

Your Committee desire to direct attention to this diversity of practice, which they consider inconvenient, and they recommend the application, in all cases, of the rule now in force with regard to the Packet Service.

Q. 14, 15, 16. The large increases of 77,963 l. and 128,046 l. in respect of Metropolitan and Provincial Establishments, are partly automatic, and consequent upon the revised and increased scale of pay of the scheme of 1881, and partly follow upon the growth of business, and the consequent necessary increase of staff.

Q. 340, 1872. The higher rates of pay of the late Mr. Fawcett's scheme, accepted and approved by the Treasury, resulted in an annual cost, at the mean of the scales of the then number of officers, of about 210,000 l. for the Sorting and Telegraph Force; with a similar increase in respect of town postmen of 110,000 l.; besides a smaller increase in the pay of rural postmen; making a total of something more than 320,000 l.

It

SELECT COMMITTEE ON REVENUE ESTIMATES.

v

It is to be noted that the increased cost of the Staff of the Postmaster General in all departments, irrespective of increased numbers, is not due solely to the revised scheme of 1881; but that there have been other subsequent changes in the scale of pay.

The increase of the total established and unestablished staff of the Postmaster General from the year 1881-82 to the year 1887-88 has been,—

From—	1881-1882.	To 1887-1888.	
Established - - -	42,000	,, 54,851	
Unestablished - - -	37,000	,, 47,110	
	<hr/>	<hr/>	
TOTAL - - -	79,000	,, 101,961	Q. 804.
	<hr/>	<hr/>	

4. POST OFFICE PACKET SERVICE.

In Sub-Head E. there is an increase of 90,570 *l*.

The subsidy to the Peninsular and Oriental Steam Navigation Company under the new contract for the Mail Service to India and the East, exclusive of Australia, is 265,000 *l*., as compared with 360,000 *l*. under the old contract, being a reduction of 95,000 *l*. per annum, in the cost of this service.

The new Services from Brindisi and from Naples to Adelaide are, however, estimated to cost 170,000 *l*. per annum, of which 75,000 *l*. is to be repaid by the Colonies of Victoria, New South Wales, and South Australia.

Sub-Head M., for Appropriations-in-Aid, appears for the first time in these Estimates.

	£.
This includes Colonial contributions in respect of West Indies	
Mail Service - - - - -	22,360
Contributions from India, Ceylon, Straits Settlements, and	
Hong Kong, to cost of East Indies and China Mail Service -	63,000
Colonial contributions to Australian Mail Service, referred to	
in connection with Sub-Head E. - - - - -	75,000
	<hr/>
TOTAL - - - £.	160,360
	<hr/>

Taking the Post Office and Packet Service together, your Committee find an increase in Salaries and Wages between 1881-82 and the Estimate of 1888-89 of nearly 1,300,000 *l*. The gross Revenue for 1888-89 is estimated at about 2,000,000 *l*. more than that for 1881-82. The net Revenue for 1888-89 is estimated at 2,856,352 *l*. against 2,996,828 *l*. in 1881-82, showing a decrease of 140,476 *l*. As regards the payments made in connection with the packet service at Dover Packet Establishment, Sub-head G, your Committee recommend that in the event of a vacancy occurring in the office of the Commander superintending, Her Majesty's Government should take into consideration the necessity of maintaining this exceptional service.

Q. 756.
Q. 749, 750.
Q. 747, 748.
Q. 599.
Q. 2263, etc.

5. POST OFFICE TELEGRAPH ESTIMATE.

This Estimate shows continuous growth both of expenditure and of the proportion of expenditure to gross Revenue.

Nominally a Revenue Department, the last published account for the year
o.76.
a 3
1880-81,

Q. 1982.

1880-81, "prepared on commercial principles," showed a balance of profit, including interest, of 4.13 per cent. upon a capital of 10,655,371 *l.* This account has since been continued each year and forwarded to the Treasury, though not presented to Parliament; the latest account for 1886-87 shows a balance of profit of no more than .63 per cent. upon a capital of 12,091,894 *l.* Return 31, Session 1888, shows that the total deficiency of income to meet expenditure, and interest at three per cent. on capital created on account of Post Office Telegraphs, from 1st January 1872 to 31st March 1887, amounted to no less than 3,024,899 *l.* 10 *s.* 5 *d.* The deficiency has latterly been increasing year by year, and for the last year of which the accounts are included in this return, viz., to 31st March 1887, was 471,889 *l.* 16 *s.* 11 *d.*

Q. 2003.
Q. 2007.
Q. 2020.
Q. 2440.
Q. 2012. 1017. 2040.
207. 209.

The unprofitable character of this Government business has been attributed to the high price originally paid for the purchase of Telegraphs by the State, to the enormous increase of services gratuitously performed for the Railway Companies, to the tariff under which Press Messages are sent, causing a loss amounting to nearly 200,000 *l.* a year, to unproductive work done for other Departments, and to public pressure to improve the Service even at a loss.

Q. 1962.

The percentage of Salaries and Wages to gross Revenue has increased from 47.46 in 1879-80 to 64.76 in 1888-89, an increase which is attributed to the revised scheme of salaries of 1881, and to the introduction of the 6 *d.* tariff on 1st October 1885.

6. CONTRACT OF 1880 WITH MESSRS. DE LA RUE.

Your Committee examined several witnesses, and took much evidence upon the subject of the contract made in 1880 by the Board of Inland Revenue with Messrs. De La Rue, for the manufacture and supply of stamps, post cards, postal wrappers, and stamped envelopes, which was only in part made the subject of competition.

Q. 972.

The negotiations were conducted by Sir Charles Herries, at that time Chairman of the Inland Revenue Board, and the Board approved the contract.

Mr. Purcell—
Question 1439.
Mr. Purcell—
Report of, 8
February 1888.
Minute of Board of
Inland Revenue,
12 February 1880.
Mr. Purcell—
Questions 1439. 1538.

The history of that contract is shortly this. In June 1879, after competition, the tender of Messrs. De La Rue was accepted for the supply of the adhesive 1 *d.* postage stamps for a term of seven years. At that date Messrs. De La Rue were the manufacturers of all the adhesive stamps, except the $\frac{1}{2}$ *d.*, 1 $\frac{1}{2}$ *d.*, and 2 *d.*, and they were under contract for some three years more to supply postcards, postal wrappers, and stamped envelopes. In January 1880 the firm raised the question of an extension of all their contracts; and, in the result, they obtained a consolidated contract to run for 10 years from the 31st of December 1880.

It was stated or admitted by all witnesses who were examined by your Committee upon the subject of this contract, that during the term of its currency of ten years it became unduly favourable to the Messrs. De La Rue in consequence of the great fall in the price of paper, which was not foreseen or anticipated at the time that the contract was made.

Q. 1450, 1451

The present Controller of Stamps, in a report of 8th February 1888, addressed to the Board and handed in to your Committee, has expressed the opinion that much better terms could have been obtained at the time, and that had there been a competition for postcards, wrappers, and envelopes, a very large reduction in the then prices could have been obtained.

Looking at the whole of the evidence brought before them bearing on the subject of this contract, your Committee find no ground for questioning the judgment of so competent an administrator as the late Sir Charles Herries, with the means of judgment then at his disposal. But they desire to express their concurrence in what they believe to be the general opinion of the present day, that all such Government contracts should, whenever possible, be thrown open to public competition, and that they should be made for as short periods as the interest of the public service and the nature of the article contracted for permit.

The

The amount borne upon the Inland Revenue Estimates for the manufacture of Inland Revenue Adhesive Stamps is only 800 £., whilst the Vote taken in the Post Office Estimate for the current year in respect of the manufacture of adhesive postage stamps, postcards, newspaper wrappers, and envelopes, is 139,000 £. Formerly, this latter charge was borne upon the Inland Revenue Vote; but in 1883 it was transferred to the Post Office. Although, as it will be seen, under this arrangement, all payments for production fall directly upon the Postmaster General, yet the Commissioners of Inland Revenue still retain the entire administration of the large sum involved. It appears that, by law and under Treasury Minute, the control, &c., of the manufacture of stamps at present vests in the Commissioners of Inland Revenue as successors of the Commissioners of Stamps; but, looking to the fact that the cost of production has now been thrown upon the Post Office, your Committee deem it worthy of the consideration of the Government whether the full administration of the Vote should not also be transferred to that Department.

Inland Revenue Estimates.

Post Office Estimates.

Sir A. Blackwood—
Question
Sir A. West—
Question.

Vide 2 & 3 Vict. c. 52, 3 & 4 Vict. c. 96, and later Acts; Treasury Minute, 20 February 1840.

7. ADMINISTRATION OF THE GENERAL POST OFFICE.

With regard to the general conduct of the great business department of the General Post Office in all its branches, your Committee desire to make some concluding remarks.

The penny letter is the great, if not the exclusive source of annual profit.

Q. 395, 396, 397,
398, 400, 401, 402.

There is a loss on the transmission of newspapers.

There is a loss on all half-penny business.

It is very doubtful whether any profit is derived from the Parcels Post.

We have been unable to obtain an estimate of the profit or loss upon the postal communications between the United Kingdom and other countries.

On the Telegraph Service there is a loss; and the Commercial Balance Sheet of the Telegraph Department, though submitted to the Treasury, is no longer laid before Parliament.

The Secretary to the Post Office desired to point out that the Post Office could not be treated as a commercial business is treated. The Department cannot close a post office because it is unproductive, or discontinue a part of the business to which the public has been accustomed, because it thinks it is not remunerative. Q. 950.

Many circumstances connected with the convenience, and even the prosperity of particular localities, induce a Government to disregard financial considerations, and to afford postal facilities where the revenue and the expenditure are wholly disproportionate.

In the present mail contract between Holyhead and Kingstown, dated 1884, a very material item in fixing the subsidy was one which had no relation whatever to the Post Office Service, namely, the convenience of passengers. Q. 951.

Your Committee are of opinion that the reasons urged against treating the Post Office as a commercial business are not applicable in anything like the same degree to the Telegraph Department, and that the increasing annual deficit in the accounts of the latter cannot be viewed otherwise than with grave concern. Q. 950, 951.

Looking to the increasing costliness of the Service as a whole, and to the constant pressure upon it of demands for increased and unprofitable expenditure, your Committee deem it their duty to call attention to the fact that the Department of the Postmaster General, in all its branches, is a vast Government business, which is most likely to continue to be conducted satisfactorily, if it should also continue to be conducted with a view to a profit, as one of the revenue yielding departments of the State. Excessive expenditure appears to your Committee to be sooner or later inevitable in a great Government business which is not administered with a view to an ultimate profit to the State.

Your Committee are fully alive to the fact that in all its branches the General Post Office cannot from time to time escape the necessity of unremunerative outlay. But this consideration appears to them to constitute an additional reason for keeping in mind the necessity of working in the main upon business principles, and with a view to a profit on the transactions of each year. They are disposed to believe that the high business character of the Post Office Department in no small degree due to the fact that it has been administered in this spirit and from this point of view; and they are satisfied that it will most certainly preserve that character by being permitted to be guided by the same principles in its future policy and action.

11 *July* 1888.

PROCEEDINGS OF THE COMMITTEE.

Friday, 9th April 1888.

MEMBERS PRESENT:

Mr. David Plunket.	Mr. Baumann.
Mr. Mowbray.	Mr. Dixon-Hartland.
Mr. Raikes.	Mr. John Ellis.
Mr. Jackson.	Mr. J. F. X. O'Brien.
Mr. Richard Chamberlain.	Mr. Brunner.
Mr. Arthur Acland.	Mr. Heneage.

Resolved, That Mr. STANSFELD be the Chairman of the Committee; in his absence Mr. RAIKES was called to the Chair.

The Committee deliberated, and adjourned till Tuesday, 17th of April, at Twelve o'clock.

Tuesday, 17th April 1888.

MEMBERS PRESENT:

Mr. STANSFELD in the Chair.

Mr. Preston Bruce.	Mr. Mowbray.
Mr. John Ellis.	Mr. J. F. X. O'Brien.
Mr. Richard Chamberlain.	Mr. David Plunket.
Mr. Henniker Heaton.	Mr. Brunner.
Mr. Raikes.	Mr. Jackson.
Mr. Arthur Acland.	Mr. Heneage.
Mr. Baumann.	Mr. Dixon-Hartland.
Mr. Hankey.	

Sir *Stevenson Arthur Blackwood* was examined.

[Adjourned till Friday next, at Twelve o'clock.]

Friday, 20th April 1888.

MEMBERS PRESENT:

Mr. STANSFELD in the Chair.

Mr. Arthur Acland.	Mr. Richard Chamberlain.
Mr. John Ellis.	Mr. Raikes.
Mr. Henniker Heaton.	Mr. Mowbray.
Mr. Heneage.	Mr. Preston Bruce.
Mr. Hankey.	Mr. Brunner.
Mr. J. F. X. O'Brien.	Mr. David Plunket.
Mr. Jackson.	Mr. Dixon-Hartland.

Sir *Stevenson Arthur Blackwood* was further examined.

[Adjourned till Tuesday next, at Twelve o'clock.]

Tuesday, 24th April 1888.

MEMBERS PRESENT:

Mr. STANSFELD in the Chair.

Mr. John Ellis.	Mr. Mowbray.
Mr. Richard Chamberlain.	Mr. Jackson.
Mr. Raikes.	Mr. Hankey.
Mr. J. F. X. O'Brien.	Mr. Dixon-Hartland.
Mr. Henniker Heaton.	Mr. David Plunket.
Mr. Preston Bruce.	Mr. Arthur Acland.
Mr. Brunner.	

Sir *Stevenson Arthur Blackwood* was further examined.

Sir *Algernon West* and Mr. *Frederick Robinson*, were examined.

[Adjourned till Friday next, at Twelve o'clock.]

Friday, 27th April 1888.

MEMBERS PRESENT:

Mr. STANSFELD in the Chair.

Mr. Preston Bruce.	Mr. Mowbray.
Mr. Heneage.	Mr. J. F. X. O'Brien.
Mr. Henniker-Heaton.	Mr. Dixon-Hartland.
Mr. Jackson.	Mr. Richard Chamberlain.
Mr. Raikes.	Mr. David Plunket.

Mr. *William Henry Cousins* and Mr. *John S. Purcell* were examined.

[Adjourned till Tuesday next, at Twelve o'clock.]

Tuesday, 1st May 1888.

MEMBERS PRESENT:

Mr. STANSFELD in the Chair.

Mr. Brunner.	Mr. Dixon-Hartland.
Mr. John Ellis.	Mr. David Plunket.
Mr. Jackson.	Mr. Henniker Heaton.
Mr. Raikes.	Mr. Heneage.
Mr. Hankey.	Mr. Preston Bruce.
Mr. J. F. X. O'Brien.	Mr. Richard Chamberlain.

Mr. *Warren W. De La Rue* was examined.

Mr. *J. S. Purcell* and Mr. *H. L. Robinson* were further examined.

[Adjourned till Friday next, at Twelve o'clock.]

Friday, 4th May 1888.

MEMBERS PRESENT :

Mr. STANSFELD in the Chair.

Mr. Brunner.
Mr. Preston Bruce.
Mr. John Ellis.
Mr. Raikes.
Mr. Mowbray.
Mr. J. F. X. O'Brien.

Mr. Henniker Heaton.
Mr. David Plunket.
Mr. Richard Chamberlain.
Mr. Heneage.
Mr. Jackson.
Mr. Dixon-Hartland.

Sir Arthur Blackwood, Mr. Frederick Robinson, and Mr. Warren W. De La Rue, were further examined.

Mr. H. Buxton Forman, Mr. Charles Henry B. Patey, and Sir Thomas Bruce, were examined.

[Adjourned till Tuesday next, at Twelve o'clock.]

Tuesday, 8th May 1888.

MEMBERS PRESENT :

Mr. STANSFELD in the Chair.

Mr. Preston Bruce.
Mr. John Ellis.
Mr. Hankey.
Mr. J. F. X. O'Brien.
Mr. Mowbray.
Mr. Henniker Heaton.

Mr. Richard Chamberlain.
Mr. Heneage.
Mr. Jackson.
Mr. Dixon-Hartland.
Mr. David Plunket.
Mr. Arthur Acland.

Mr. Charles Henry B. Patey was further examined.

Sir Charles Du Cane, was examined.

[Adjourned till Friday next, at Twelve o'clock.]

Friday, 11th May 1888.

MEMBERS PRESENT :

Mr. STANSFELD in the Chair.

Mr. Arthur Acland.
Mr. Preston Bruce.
Mr. Brunner.
Mr. Heneage.
Mr. Jackson.
Mr. John Ellis.

Mr. Raikes.
Mr. Mowbray.
Mr. J. F. X. O'Brien.
Mr. Dixon-Hartland.
Mr. Henniker Heaton.
Mr. Richard Chamberlain.

Mr. W. H. Primrose was examined ; Sir Algernon West was further examined.

[Adjourned till Tuesday next, at Twelve o'clock.]

Tuesday, 15th May 1888.

MEMBERS PRESENT:

Mr. STANSFELD in the Chair.

Mr. Brunner.	Mr. Dixon-Hartland.
Mr. John Ellis.	Mr. Henniker Heaton.
Mr. Richard Chamberlain.	Mr. Heneage.
Mr. Jackson.	Mr. Mowbray.
Mr. Raikes.	Mr. David Plunket.
Mr. Hankey.	Mr. Preston Bruce.
Mr. J. F. X. O'Brien.	Mr. Arthur Acland.

Sir *Algernon West* was further examined.

[Adjourned till Tuesday, 5th June, at Twelve o'clock.]

Tuesday, 5th June 1888.

MEMBERS PRESENT:

Mr. STANSFELD in the Chair.

Mr. Brunner.	Mr. David Plunket.
Mr. John Ellis.	Mr. Hankey.
Mr. Jackson.	Mr. Henniker Heaton.
Mr. Baumann.	Mr. Dixon-Hartland.
Mr. Arthur Acland.	Mr. Raikes.
Mr. Richard Chamberlain.	Mr. Heneage.
Mr. J. F. X. O'Brien.	

The Committee deliberated.

[Adjourned till Wednesday, 4th July, at Twelve o'clock.]

Wednesday, 4th July 1888.

MEMBERS PRESENT:

Mr. STANSFELD in the Chair.

Mr. Brunner.	Mr. Preston Bruce.
Mr. John Ellis.	Mr. Baumann.
Mr. David Plunket.	Mr. Hankey.
Mr. Heneage.	Mr. Richard Chamberlain.
Mr. Dixon-Hartland.	Mr. Arthur Acland.
Mr. Raikes.	Mr. Jackson.
Mr. Mowbray.	Mr. J. F. X. O'Brien.

Sir *Charles Lister Ryan*, K.C.B., was examined.

DRAFT REPORT proposed by the *Chairman*, read the first time, as follows:—

"1. Your Committee have examined into and taken evidence upon the Customs, Inland Revenue, Post Office, Post Office Packet Service, and Post Office Telegraph Estimates for the current year.

"1.—1. In the CUSTOMS ESTIMATE they note a net decrease upon the previous year of 13,928 £.

"The only witness examined was Sir Charles Du Cane, K.C.M.G., Chairman of the Board. This Estimate shows signs of careful administration and of reductions made, pending the definite determination of the question of the amalgamation of the Customs and Inland Revenue Departments.

"Your

"Your Committee observe with satisfaction that although the increased charge for superannuation during the last five years, consequent upon reductions of staff, has amounted to 30,320 *l.*, the net saving thus effected is represented by the annual sum of 68,865 *l.* Q. 2667.

"2.—2. The INLAND REVENUE DEPARTMENT ESTIMATE shows a net increase of 43,750 *l.*

"3. The decreases amount to 28,613 *l.*, of which 4,881 *l.* is a reduction, for the year, in respect of the annuity to the National Debt Commissioners for commutation of pensions; the balance of about 24,000 *l.*, representing the saving on salaries and allowances, consequent on reduction of staff.

"4. The increases amount to 72,363 *l.*, of which the principal items are 30,400 *l.* in respect of statutory and extra poundage to Collectors and Assessors of Income Tax and House Duty, and extra poundage to Collectors; and 14,500 *l.* for copies of Poor Rates, dividend lists, and valuation rolls for Income Tax purposes. Almost the whole of this increase is due to the triennial assessment under Schedules A. and B., and will not recur during the next two years. There is a further item of 24,750 *l.* in respect of increased superannuation and compensation allowances. Q. 2854.

"5. On this Estimate the principal witness examined was Sir Algernon West, K.C.B., the Chairman of the Inland Revenue Board, who gave much valuable and interesting evidence.

"6. Sir Algernon West's explanation of the considerable increase in superannuations is that 13,000 *l.* out of the 24,750 *l.* is attributable to the retirement of men over 60 years of age and of more than 40 years' service, and who had therefore earned their retirement; that the balance is more than met by the saving in respect of salaries; that 237 men less are earning superannuations; that the per-centage charge of superannuations to salaries was in 1860, 26·89, that it is now 21, and that the proportion will continue to decrease; and that the revenue was collected in 1847–48 at a per-centage cost of 4½, reduced for the year 1886–87 to 3½, or more exactly 3 *l.* 8 *s.* per cent. Q. 2878. Q. 3106. 3129, 3180. Q. 2852.

"7. Sir Algernon West points out a future possible economy in suggesting that it will never, in his opinion, be necessary again to hold a first class examination for the Inland Revenue Department, as he is perfectly satisfied that the men who enter the lower division will be always fully competent to take the place of any of the first class men, as vacancies arise. Q. 2880. Q. 2947, &c.

"8. Sir Algernon West communicated to the Committee his reasons for desiring a consolidation of the Customs and Inland Revenue Departments, on the score of greater simplicity, efficiency, and economy; we desire to direct attention to his evidence upon this subject; but refrain from making any express recommendation, as being beyond the scope of this inquiry.

"3 POST OFFICE ESTIMATE.

"9. The principal increases are as follows:—	£.
"In respect of salaries, wages, and allowances - - - -	77,963
"Provincial Establishments - - - -	128,046
"Post Office Savings Banks and Government Annuity and Life Insurance business - - - -	69,399
"The principal decrease is a saving in respect of sites and buildings of - - - -	28,000

"10. The first witness examined was Sir Stevenson Arthur Blackwood, K.C.B., Secretary to the Post Office.

"With regard to the decrease of 28,000 *l.* in respect of sites and buildings, the explanation appears to be that the sum in the Estimates of the previous year was unusually high, owing to the purchase of a site for the extension of the General Post Office on the north of the present building. Q. 20, 21.

"11. The increase of 69,399 *l.* in Sub-heads E, and F. for Post Office Savings Banks and Government Annuities and Life Insurance is mainly owing to the purchase of additional land for the extension of the Savings Bank Buildings in Queen Victoria-street. The whole of the cost incurred in connection with Savings Banks is repaid, not to the Post Office, but to the Exchequer, from the Savings Bank Funds, being entered as an "extra receipt" in the Finance Accounts of every year; differing from the rule now applied in the case of the Post Office Packet Service, where the amounts recoverable from India and certain colonies, in respect of service performed for them, under the Packet Vote, are treated as a reduction of the Vote. Q. 25, 26, 27.

"12. Your Committee desire to direct attention to this diversity of practice.

"13. The large increases of 77,963 *l.* and 128,046 *l.* in respect of Metropolitan and Provincial Establishments, are partly automatic, and consequent upon the revised and increased scale of pay of the scheme of 1881, and partly follow upon the growth of business, and the consequent necessary increase of staff. Q. 14, 15, 16.

0.76.

b 3

"14. The

Q. 349. 1872.

"14. The higher rates of pay of the late Mr. Fawcett's scheme, accepted and approved by the Treasury, resulted in an annual cost, at the mean of the scales of the then number of officers, of about 210,000 *l.* for the Sorting and Telegraph Force; with a similar increase in respect of town postmen of 110,000 *l.*; besides a smaller increase in pay of rural postmen; making a total of something more than 320,000 *l.*

"15. The increase of the total established and unestablished staff of the Postmaster General from the year 1881-82 to the year 1887-88 has been from,—

From—	1881-1882.	To 1887-1888.
Established - - - - -	42,000	54,851
Unestablished - - - - -	37,000	47,110
TOTAL - - -	79,000	101,961

Q. 804.

"4. POST OFFICE PACKET SERVICE.

"16. In Sub-Head E. there is an increase of 90,570 *l.*

"17. The subsidy to the Peninsular and Oriental Steam Navigation Company under the new contract for the Mail Service to India and the East, exclusive of Australia, is 265,000 *l.*, as compared with 360,000 *l.* under the old contract, being a saving of 95,000 *l.*

"18. The new Services from Brindisi and from Naples to Adelaide cost 170,000 *l.*, of which 75,000 *l.* is repaid by the Colonies of Victoria, New South Wales, and South Australia.

"Sub-Head M., for Appropriations-in-Aid, appears for the first time in these Estimates

"It includes Colonial contributions in respect of West Indies Mail Service - - - - -	£. 22,360
Contributions from India, Ceylon, Straits Settlements, and Hong Kong, to cost of East Indies and China Mail Service - - -	63,000
And the Colonial contributions to Australian Mail Service, referred to in connection with Sub-Head E. - - - - -	75,000
TOTAL - - -	£. 160,360

"19. Taking the Post Office and Packet Service together, your Committee find an increase in salaries and wages between 1881-82 and the Estimate of 1888-89 of nearly 1,300,000 *l.*; whilst the gross Revenue for 1888-89 is about 2,000,000 *l.* more than that for 1881-82, and the net Revenue about 140,000 *l.* less.

Q. 756.

Q. 749, 756.

"5. POST OFFICE TELEGRAPH ESTIMATE.

"20. This Estimate shows continuous growth both of expenditure and of the proportion of expenditure to gross Revenue.

"21. Nominally a Revenue Department, the last published account for the year 1880-81, 'prepared on commercial principles,' showed a balance of profit, including interest, of 4·13 per cent. upon a capital of 10,655,371 *l.* This account has since been continued each year, and forwarded to the Treasury, but not presented to Parliament; the latest account for 1886-87 shows a balance of profit of no more than '63 per cent. upon a capital of 12,091,894 *l.*

Q. 1982.

"22. The unprofitable character of this Government business has been attributed to the high price originally paid for the purchase of Telegraphs by the Government, to the loss of 200,000 *l.* a year upon Press Messages, to unproductive work done for other Departments and for railway companies, and to public pressure to improve the Service even at a loss.

Q. 2003.

Q. 2007.

Q. 2012.

Q. 2020.

"23. The percentage of Salaries and Wages to gross Revenue has increased from 47·46 in 1879-80 to 64·76 in 1888-89, an increase which is attributed to the revised schemes of salaries of 1881, and to the introduction of the 6 *d.* tariff on 1st October 1885.

Q. 1962.

"24. With regard generally to the staff of the Postmaster General in all Departments, it is to be noted that its increased cost, irrespective of increased numbers, is not due solely

solely to the revised scheme of 1881 but that there have been other subsequent changes in the scale of pay. Q. 229, 230. Q.

"6. CONTRACT OF 1880 WITH MESSRS. DE LA RUE.

"25. Your Committee examined several witnesses, and took much evidence upon the subject of the contract made in 1880 by the Board of Inland Revenue with Messrs. De La Rue, for the manufacture of stamps and stamped paper, which was not made the subject of an open or public competition.

"26. The negotiations for this contract were conducted by Sir Charles Herries, at that time Chairman of the Inland Revenue Board, and the Board approved the contract. Q. 972.

"27. It was stated or admitted by all witnesses who were examined by your Committee upon the subject of this contract, that during the term of its currency of ten years it became unduly favourable to the Messrs. De La Rue in consequence of the great fall in the price of paper, which was not foreseen or anticipated at the time that the contract was made.

"28. Mr. Purcell, the present Controller of Stamps, has gone so far, in a report of 8th February 1888, addressed to the Board and handed in to your Committee, and also in his evidence, as to express the opinion that much better terms could have been obtained at the time, and that had there been a competition for post cards, wrappers, and envelopes, a very large reduction in the then prices could have been obtained. Q. 1450, 1451.

"29. Mr. Purcell appears to have arrived at this conclusion by the process of estimating the cost of material and labour at the time, and adding to that total cost an item of 15 per cent. for expenses. Q. 1474. 1569. 1594.

"30. The evidence of Mr. Warren William De La Rue on this point was as follows:

'I think I have correctly stated Mr. Purcell's assertion by saying that he has taken the bare cost of material and labour, and to that has added 15 per cent. of establishment and working expenses; that is to say, putting it commercially, we make up a gross profit sheet, as it were, an account in which on one side we take the total outlay in materials and the total outlay in labour, and on the other side, the creditor side, we take the total sales. Q. 1619.

'The difference between the two represents the gross profit. That, I believe, is usual in every commercial house. On the other hand, in making up a net profit account you put on the debtor side of the account every expense that is incurred in the business, and, of course, on the other side the same gross amount as in the gross profit sheet. What I wish to say is that I infer from Mr. Purcell's statement or argument that he considers that our net profit is practically only 15 per cent. less than our gross profit. I think that statement hardly requires any refutation from me; it is so ridiculously under the mark that I simply leave it to the Committee to judge on the subject. Q. 1620.

"31. In answer to other questions addressed to Mr. Purcell, he stated that he did not offer any opinion that the contract which was made in 1880 could then have been made on better terms for the Department; that he quite agreed that anybody forming a judgment at the present time with all the past experience at his command, and seeing what had happened, was in a very much better position to judge as to what ought to have been done than those who had to form a judgment eight years ago as to what the fall in prices would most probably be; that, even supposing he was right, that would not naturally throw any blame upon anyone connected with the making of the contract of 1880; and that he did not say that if he had been in the position of Sir Charles Herries at that time he could have formed any better judgment or made a better contract than he did. Q. 1526. Q. 1587. Q. 1588. Q. 1589.

"32. That the contract was, at the time, considered a favourable one to the Department is made evident in the Report of the Board for the year ending 31st March 1880. The Report is signed by all the Commissioners, and the concluding paragraph on page 17, with regard to this contract, is in these words:

'By assimilating the mode of producing these and other stamps, and by consolidating the manufacture in the hands of one firm, we have been enabled to conclude a contract for ten years upon very advantageous terms for the supply of the several postal and revenue adhesive stamps, as well as printed postal cards, wrappers, envelopes, &c.' Q. 3165, 3166.

"33. Looking at the whole of the evidence brought before them bearing on the subject of this contract, your Committee find no ground for questioning the judgment of so competent an administrator as the late Sir Charles Herries, with the means of judgment then at his disposal. But they desire to express their concurrence in what they believe to be the general opinion of the present day, that all such Government contracts should, whenever possible, be thrown open to public competition, and that they should be made for short periods only.

"7. ADMINISTRATION OF THE GENERAL POST OFFICE.

"34. With regard to the general conduct of the great business department of the General Post Office in all its branches, your Committee desire to make some concluding remarks.

Q. 395, 396, 397,
398, 400, 401, 402.

The penny letter is the great, if not the exclusive source of annual profit.
There is a loss on the transmission of newspapers.
There is a loss on all half-penny business.

"35. There is still some loss probably on the Parcels Post.

"36. We have received no exact estimate of the profit or loss upon our Foreign Post Office Service.

"37. No profit can be shown to be derived from the Telegraph Service ; and the Commercial Balance Sheet of the Telegraph Department is no longer laid before Parliament.

"38. The Secretary to the Post Office desired to point out that the Post Office could not be treated as a commercial business is treated. The Department cannot close a post office because it is unproductive, or discontinue a part of the business to which the public has been accustomed, because it thinks it is not remunerative.

Q. 950.

"39. Many circumstances connected with the convenience, and even the prosperity of particular localities, induce a Government to disregard financial considerations, and to afford postal facilities where the revenue and the expenditure are wholly disproportionate.

Q. 951.

"40. In the present mail contract between Holyhead and Kingstown, dated 1884, a very material item in fixing the subsidy was one which had no relation whatever to the Post Office Service, namely, the convenience of passengers.

"41. Looking to the increasing costliness of the Service as a whole, and to the constant pressure upon it of demands for increased and unprofitable expenditure, your Committee deem it their duty to call to mind that the Department of the Postmaster General, in all its branches, is in fact a vast Government business, which is most likely to continue to be conducted in the main on business principles, if it should also continue to be conducted with a view to a profit, as one of the revenue-yielding departments of the State.

"42. Waste and extravagance appear to your Committee to be sooner or later inevitable in a great Government business undertaking not administered with any view to an ultimate profit to the State.

"43. Your Committee are fully alive to the fact that in all its branches the General Post Office cannot from time to time escape the necessity of unremunerative outlay. But this consideration appears to them to constitute an additional reason for keeping in mind the necessity of working in the main upon business principles, and with a view to a profit on the transactions of each year. They are disposed to believe that the undoubtedly high business character of the Post Office Department in the past is in no small degree due to the fact that it has been administered in this spirit and from this point of view ; and they are convinced that it will most certainly preserve that character by being permitted to be guided by the same principles in its future policy and action."

Question, "That the Draft proposed by the *Chairman* be now read a second time, paragraph by paragraph,—put, and *agreed to*."

Paragraphs 1-7, *agreed to*.

Paragraph 8, amended, and *agreed to*.

Paragraphs 9-11, *agreed to*.

Paragraph 12, amended, and *agreed to*.

Paragraphs 13-17, *agreed to*.

Paragraphs 18, 19, amended, and *agreed to*.

Paragraph 20, *agreed to*.

Paragraphs 21, 22, amended, and *agreed to*.

Paragraph 23, *agreed to*.

Paragraph 24, *postponed*.

Paragraph 25.—Amendment proposed, in line 1, to leave out from the word "Committee" to the end of the paragraph, in order to insert the following :—

"Have very carefully considered the conditions under which the Post Office is now supplied with adhesive stamps, postcards, newspaper wrappers, and envelopes ;

lopes; and they have come to the conclusion that the existing arrangement is by no means satisfactory.

"The attention of your Committee has been especially directed to the circumstances under which the stamps contract with the Messrs. De La Rue, dated the 25th of March 1880, was entered into by the Commissioners of Inland Revenue. The history of that contract is shortly this. In June 1879, after competition, the tender of Messrs. De La Rue was accepted for the supply of the adhesive 1d. postage stamps for a term of seven years. The supply was then of the annual value of some 9,500*l*. At that date Messrs. De La Rue were the manufacturers of all the adhesive stamps, except the $\frac{1}{2}$ d., 1 $\frac{1}{2}$ d., and 2d., and they were under contract for some three years more to supply postcards, newspaper wrappers, and envelopes. In January 1880 the firm raised the question of an extension of all their contracts; and, in the result, they obtained a consolidated contract to run for 10 years from the 31st of December 1880. So that whilst there was a competition for the adhesive 1d. postage stamps, involving at that date an outlay of 9,500*l*. a year only, the firm were given, without any competition at all, the supply of all the other adhesive stamps, the postcards, newspaper wrappers, and envelopes; these latter articles involving in the current year an outlay of 110,000*l*.

Mr. Purcell—
Question

Mr. Purcell—
Evidence and Report
of 8 February 1888.

Minute of Board of
Inland Revenue,
12 February 1888.

Mr. Purcell—
Question

Mr. Purcell—
Question

"From the evidence given before your Committee, taken in conjunction with the lucid and able Report of Mr. Purcell, the Controller of Stamps, which was addressed to the Board of Inland Revenue on the 8th of February last, it is clear that, in 1880, sufficient care was not exercised by the practical officers of the Inland Revenue Department to see that the interests of the State were duly and fully safeguarded; and your Committee are decidedly of opinion that had there been a competition for postcards, wrappers, and envelopes, or had careful and proper inquiries been, at that time, instituted as to the value of raw material and as to the cost of manufacturing processes then ruling, far more favourable terms could have been obtained. It is true that as against the Extension of Contract a saving of 10,500*l*. was effected. But the evidence before your Committee points clearly to this, that the saving effected fell far short of what ought to have been obtained in the interests of the State.

Vide Appendix.

Minute of Board of
Inland Revenue of
12 February 1880.

"Your Committee feel bound to place on record their sense of the services rendered to the cause of economy by Mr. Purcell, the present Controller of Stamps, who appears to be the only officer of the Inland Revenue Department who has had the courage to grapple with the lucrative monopoly which a single firm has been enjoying from the supply to the State of a very ordinary class of stationery. In his evidence Mr. Purcell estimated that upon a sum of 99,000*l*., now paid for the supply of postcards, wrappers, and envelopes, the contractors were making no less a net profit than 47 per cent.; and the accuracy of his method of calculation has been fully borne out by the result of the recent competition for Indian stamped papers.

Mr. Purcell—
Question

Mr. Purcell—
Question
and Report of 8th
February 1888.

"It is to be regretted that Mr. Cousins, who was Controller of Stamps in 1880, did not then take the same steps as Mr. Purcell has now taken to ascertain the prime cost of postcards, envelopes, and wrappers. Had he done so he would have been in a position to advise Sir Charles Herries that the reduction in prices then offered by Messrs. De La Rue was insufficient.

"It is also to be regretted that any attempt should have been made by witnesses to attribute all the blame of making this extravagant contract to the late Sir Charles Herries. It is clear from the evidence of Sir Algernon West that the late Sir Charles Herries consulted all the practical officers of the Department (including Mr. Cousins, his Controller of Stamps), whom it was his duty to consult; and it is equally clear to your Committee that the advice he received does little credit to the acumen of those officers.

Sir A. West—
Question

Mr. Robinson—
Question

Mr. Cousins—
Question

"Your Committee also learnt that Mr. De La Rue, at the time the contract was made with his firm, held office under the Crown, and that it was his duty to advise the Department on the very points on which his firm afterwards obtained the contract.

"Your Committee consider that this proceeding was improper, and that in future no one holding office under the Crown shall be allowed to receive a contract.

"Your Committee also regret that the evidence proved that a large portion of the materials for the Post Office contract come from abroad, and recommend that in future British labour and British materials should be employed"—(Mr. Dixon-Hartland).

Question proposed, "That the words proposed to be left out stand part of the paragraph."

[Adjourned till Friday next, at Twelve o'clock.]

Friday, 6th July 1888.

MEMBERS PRESENT :

Mr. STANSFELD in the Chair.

Mr. John Ellis.
Mr. Mowbray.
Mr. David Plunket.
Mr. Dixon-Hartland.
Mr. Jackson.
Mr. F. X. O'Brien.

Mr. Raikes.
Mr. Arthur Acland.
Mr. Hankey.
Mr. Richard Chamberlain.
Mr. Preston Bruce.
Mr. Brunner.

DRAFT REPORT, proposed by the *Chairman*, further considered.

Paragraph 25.—Amendment proposed, in line 1, to leave out from the word “Committee” to the end of the paragraph, in order to insert the following :

“Have very carefully considered the conditions under which the Post Office is now supplied with adhesive stamps, postcards, newspaper wrappers, and envelopes; and they have come to the conclusion that the existing arrangement is by no means satisfactory.

“The attention of your Committee has been especially directed to the circumstances under which the stamps contract with Messrs. De La Rue, dated the 25th of March 1880, was entered into by the Commissioners of Inland Revenue. The history of that contract is shortly this. In June 1879, after competition, the tender of Messrs. De La Rue was accepted for the supply of the adhesive 1 d. postage stamps for a term of seven years. The supply was then of the annual value of some 9,500 l. At that date Messrs. De La Rue were the manufacturers of all the adhesive stamps, except the $\frac{1}{2}$ d., 1 $\frac{1}{2}$ d., and 2 d., and they were under contract for some three years more to supply postcards, newspaper wrappers, and envelopes. In January 1880 the firm raised the question of an extension of all their contracts; and, in the result, they obtained a consolidated contract to run for 10 years from the 31st of December 1880. So that whilst there was a competition for the adhesive 1 d. postage stamps, involving at that date an outlay of 9,500 l. a year only, the firm were given, without any competition at all, the supply of all the other adhesive stamps, the postcards, newspaper wrappers, and envelopes; these latter articles involving in the current year an outlay of 110,000 l.

“From the evidence given before your Committee, taken in conjunction with the lucid and able Report of Mr. Purcell, the Controller of Stamps, which was addressed to the Board of Inland Revenue on the 8th of February last, it is clear that, in 1880, sufficient care was not exercised by the practical officers of the Inland Revenue Department to see that interests of the State were duly and fully safeguarded; and your Committee are decidedly of opinion that had there been a competition for postcards, wrappers, and envelopes, or had careful and proper inquiries been, at that time, instituted as to the value of raw material and as to the cost of manufacturing processes then ruling, far more favourable terms could have been obtained. It is true that as against the Extension of Contract a saving of 10,500 l. was effected. But the evidence before your Committee points clearly to this, that the saving effected fell far short of what ought to have been obtained in the interests of the State.

“Your Committee feel bound to place on record their sense of the services rendered to the cause of economy by Mr. Purcell, the present Controller of Stamps, who appears to be the only officer of the Inland Revenue Department who has had the courage to grapple with the lucrative monopoly which a single firm has been enjoying from the supply to the State of a very ordinary class of stationery. In his evidence Mr. Purcell estimated that upon a sum of 99,000 l., now paid for the supply of postcards, wrappers, and envelopes, the contractors were making no less a net profit than 47 per cent., and the accuracy of his method of calculation has been fully borne out by the result of the recent competition for Indian stamped papers.

“It is to be regretted that Mr. Cousins, who was Controller of Stamps in 1880, did not then take the same steps as Mr. Purcell has now taken to ascertain the prime cost of postcards, envelopes, and wrappers. Had he done so he would have been in a position to advise Sir Charles Herries that the reduction in prices then offered by Messrs. De La Rue was insufficient.

“It is also to be regretted that any attempt should have been made by witnesses to attribute all the blame of making this extravagant contract to the late Sir Charles Herries. It is clear from the evidence of Sir Algernon West that the late Sir Charles Herries consulted all the practical officers of the Department (including Mr. Cousins, his

Mr. Purcell—
Question 1439.

Mr. Purcell—
Report of, 8 February
1888.

Minute of Board of
Inland Revenue,
12 February 1880.

Mr. Purcell—
Question 1439. 1538.

Mr. Purcell—
Report of, 8 February
1888.

Mr. Purcell—
Question 1448.

Vide Appendix.

Mr. Purcell—
Report of, 8 February
1888.

Minute of Board of
Inland Revenue of
12 February 1880.

Mr. Purcell—
Questions 1458. 1460.
1533, 1534. 1541. 1563,
1564. 1593.

Mr. Purcell—
Questions 1493. 1539,
and Report of 8th
February 1888.

Sir A. West—
Questions 1012. 1025.
1060.

his Controller of Stamps), whom it was his duty to consult; and it is equally clear to your Committee that the advice he received does little credit to the acumen of those officers.

Mr. Robinson—
Questions 1146, 1205,
1206.
Mr. Cousins—
Questions 1416, 1417,
1418, 1419, 1428, 1429,
1430.

“Your Committee also learnt that Mr. De La Rue, at the time the contract was made with his firm, held office under the Crown, and that it was his duty to advise the Department on the very points on which his firm afterwards obtained the contract.

“Your Committee consider that this proceeding was improper, and that in future no one holding office under the Crown shall be allowed to receive a contract.

“Your Committee also regret that the evidence proved that a large portion of the materials for the Post Office contract come from abroad, and recommend that in future British labour and British materials should be employed”—(Mr. Dixon-Hartland.)

Question proposed, That the words “examined several” stand part of the paragraph,—put, and agreed to.

Paragraph 25, amended, and agreed to.

Paragraph 26, agreed to.

Motion made, and Question proposed, at the end of the last paragraph, to add the following: “The history of that Contract is shortly this: In June 1879, after competition, the tender of Messrs. De La Rue was accepted for the supply of the adhesive 1d. postage stamps for a term of seven years”—(Mr. Dixon Hartland).—Question put, That those words be there added.—The Committee divided:

Ayes, 6.

Mr. Brunner.
Mr. Dixon Hartland.
Mr. Jackson.
Mr. Mowbray.
Mr. F. X. O'Brien.
Mr. Raikes.

Noes, 5.

Mr. Preston Bruce.
Mr. Richard Chamberlain.
Mr. John Ellis.
Mr. Hankey.
Mr. David Plunket.

[The Committee adjourned till Wednesday next, at Half-past Eleven o'clock.

Wednesday, 11th July 1888.

MEMBERS PRESENT:

Mr. STANSFELD in the Chair.

Mr. Mowbray.
Mr. John Ellis.
Mr. F. X. O'Brien.
Mr. Jackson.
Mr. Arthur Acland.

Mr. Preston Bruce.
Mr. David Plunket.
Mr. Richard Chamberlain.
Mr. Raikes.
Mr. Heneage.

Paragraph 26, further amended.

Another Amendment proposed, after the last Amendment, to add the words, “There was a competition for the adhesive 1d. postage stamps, involving at that date an outlay of 9,500l. a year only, the firm were given without any competition at all, the supply of all the other adhesive stamps, the postcards, newspaper postal wrappers, and stamped envelopes; these latter articles involving in the current year an outlay of 110,000l.”—(Mr. Dixon Hartland).—Question put, That those words be there added.—The Committee divided.

Mr. Purcell—
Questions 1439, 1538.

Mr. Purcell—
Report of, 8 February
1888.

Ayes, 3.

Mr. Dixon-Hartland.
Mr. Mowbray.
Mr. F. X. O'Brien.

Noes, 5.

Mr. Arthur Acland.
Mr. Preston Bruce.
Mr. John Ellis.
Mr. Jackson.
Mr. David Plunket.

Another Amendment proposed, after the last Amendment, to add the following:—

“From the evidence given before your Committee, taken in conjunction with the lucid and able Report of Mr. Purcell, the Controller of Stamps, which was addressed to the Board of Inland Revenue on the 8th of February last, it is clear that, in 1880, sufficient care was not exercised by the practical officers of the Inland Revenue Department to see that the interests of the State were duly and fully safeguarded; and your Committee are

Vide Appendix.

Minute of Board of
Inland Revenue of
12 February 1880.

Mr. Purcell—
Question

Mr. Purcell—
Question and Report
of 8th February 1888.

decidedly of opinion that, had there been a competition for postcards, wrappers, and envelopes, or had careful and proper inquiries been, at that time, instituted as to the value of raw material and as to the cost of manufacturing processes then ruling, far more favourable terms could have been obtained. It is true that as against the Extension of Contract a saving of 10,500 £. was effected. But the evidence before your Committee points clearly to this, that the saving effected fell far short of what ought to have been obtained in the interests of the State. Your Committee feel bound to place on record their sense of the services rendered to the cause of economy by Mr. Purcell, the present Controller of Stamps, who has had the courage to grapple with the lucrative monopoly which a single firm has been enjoying from the supply to the State of a very ordinary class of stationery. In his evidence Mr. Purcell estimated that upon a sum of 99,000 £., now paid for the supply of postcards, wrappers, and envelopes, the contractors were making no less a net profit than 47 per cent.; and the accuracy of his method of calculation has been fully borne out by the result of the recent competition for Indian stamped papers. It is to be regretted that Mr. Cousins, who was Controller of Stamps in 1880, did not then take the same steps as Mr. Purcell has now taken to ascertain the prime cost of postcards, stamped envelopes, and postal wrappers. Had he done so, he would have been in a position to advise Sir Charles Herries that the reduction in prices then offered by Messrs. De La Rue was insufficient. Your Committee also learnt that Mr. De La Rue, at the time the contract was made with his firm, held office under the Crown, and that it was his duty to advise the Department on the very points on which his firm afterwards obtained the contract. Your Committee consider that this proceeding was improper, and that in future no one holding office under the Crown shall be allowed to receive a contract"—(Mr. Dixon Hartland).

Question, That those words be there added,—put, and negatived.

Paragraph 27, *agreed to*.

Paragraph 28, *postponed*.

Paragraphs 29—32, *disagreed to*.

Paragraph 33, amended, and *agreed to*.

Inland Revenue
Estimates.

Post Office Estimates.

Sir A. Blackwood—
Question 88.

Sir A. West—Question
1096.

Vide 2 & 3 Vict. c. 52,
3 & 4 Vict. c. 96, and
later Acts; Treasury
Minute, 20th February
1840.

Amendment, proposed after the last paragraph, to add the words, "The amount borne upon the Inland Revenue Estimates for the manufacture of Inland Revenue adhesive stamps is only 800 £., whilst the Vote taken in the Post Office Estimate for the current year in respect of the manufacture of adhesive postage stamps, postcards, newspaper wrappers, and envelopes, is 139,000 £. Formerly, this latter charge was borne upon the Inland Revenue Vote; but in 1883 it was transferred to the Post Office. Although, as will be seen, under this arrangement, all payments for production fall directly upon the Postmaster General, yet the Commissioners of Inland Revenue still retain the entire administration of the large sum involved. It appears that, by law and under Treasury Minute, the control, &c., of the manufacture of stamps at present vests in the Commissioners of Inland Revenue as successors of the Commissioners of Stamps"—(Mr. Raikes.)

Question, That those words be there added,—put, and *agreed to*.

Another Amendment proposed, after the last Amendment, to add the words, "but, looking to the fact that the cost of production has now been thrown upon the Post Office, your Committee deem it worthy of the consideration of the Government, whether the full administration of the Vote should not also be transferred to that Department"—(Mr. Raikes).—Question proposed, That those words be there added.—The Committee divided:

Ayes, 5.

Mr. Preston Bruce.
Mr. Jackson.
Mr. Mowbray.
Mr. F. X. O'Brien.
Mr. Raikes.

Noes, 4.

Mr. Arthur Acland.
Mr. Richard Chamberlain.
Mr. John Ellis.
Mr. David Plunket.

Paragraph 34, *agreed to*.

Paragraphs 35—37, amended, and *agreed to*.

Amendment proposed, after the last paragraph, to add the following:—

Mr. Raikes questioned
Sir A. West.

"It appears that in recent years it has been the practice, upon the abolition or resignation of a Distributor of Inland Revenue Stamps, to transfer his work to the local postmaster, thus relieving the Inland Revenue Vote, and adding to that of the Post Office to the extent of the increased salary necessarily paid to the postmaster for the additional work that devolve upon him. In the case of the manufacture of postage stamps, it will be seen that, although the administration rests with the Inland Revenue, the cost is charged to the Post Office; and it seems only reasonable that the same principle should apply in the case of the distribution of Inland Revenue Stamps and Licences by postmasters, and that so much of the pay of a postmaster as represents his work in the Distribution

Distribution of Inland Revenue Stamps and Licences should fall upon the Inland Revenue Vote, and not upon the Post Office Vote. Your Committee recommend that arrangements be made for adjusting the accounts of the two departments accordingly"—(Mr. *Raikes*).—Question, That those words be there added,—put, and *negatived*.

Paragraphs 38—40, *agreed to*.

Paragraph 41, amended, and *agreed to*.

Paragraph 42, amended.

Question put, That this paragraph, as amended, stand part of the Report.—The Committee divided :

Ayes, 6.
Mr. Arthur Acland.
Mr. Richard Chamberlain.
Mr. John Ellis.
Mr. Heneage.
Mr. Mowbray.
Mr. F. X. O'Brien.

Noes, 4.
Mr. Preston Bruce.
Mr. Jackson.
Mr. David Plunket.
Mr. Raikes.

Paragraph 43, *agreed to*.

Postponed paragraph 24, *agreed to*.

Postponed paragraph 28, amended, and *agreed to*.

Question, That the following new paragraph be added to the Report :

"Your Committee are of opinion that the reasons against treating the Post Office as a commercial business are not applicable in anything like the same degree to the Telegraph Department, and that increasing annual deficit in the accounts of the latter cannot be viewed otherwise than with grave concern"—(Mr. *John Ellis*)—put, and *agreed to*.

Question, That the following new paragraph be added to the Report :

"Your Committee have ascertained that no objection would be raised by the Post Office to such an extension of the system whereby assessed taxes are already payable at post offices, as will include also Income Tax and Inhabited House Duty.

"As this arrangement will be greatly to the convenience of the public, your Committee recommend its favourable consideration"—(Mr. *Richard Chamberlain*),—put, and *negatived*.

Question, That this be the Report of the Committee to the House,—put, and *agreed to*.

Ordered, To Report, together with Minutes of Evidence, and an Appendix.

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MINUTES OF EVIDENCE.

Tuesday, 17th April 1888.

MEMBERS PRESENT:

Mr. Arthur Acland.
Mr. Baumann.
Mr. Preston Bruce.
Mr. Brunner.
Mr. Richard Chamberlain.
Mr. Dixon-Hartland.
Mr. John Ellis.
Mr. Hankey.

Mr. Henniker Heaton.
Mr. Heneage.
Mr. Jackson.
Mr. Mowbray.
Mr. J. F. X. O'Brien.
Mr. David Plunket.
Mr. Raikes.
Mr. Stansfeld.

THE RIGHT HON. JAMES STANSFELD, IN THE CHAIR.

SIR STEVENSON ARTHUR BLACKWOOD, K.C.B., called in ; and
Examined.

1. *Chairman.*] You are Secretary to the Post Office?—Yes.
2. How long have you been Secretary?—Eight years.
3. We have from the Post Office a General Statement in explanation of Vote 3 ; have you the Papers before you?—I have.
4. Looking to the various Sub-heads, I find a series of somewhat large items of increase and some few diminutions which are not very important in amount, save under Sub-head H., "Purchase of Sites and Buildings ;" would you take those various Sub-heads and tell us what you think of the increases and decreases stated under them?—The increases are explained, as the Committee will find, on page 2 of the Memorandum, which has been circulated. It will be seen that the increase of 77,963 *l.* in the first group arises from five particular causes, viz. : "Extended Employment of Unestablished Force in connection with Parcel Work, 8,057 *l.* ; Extra duty and Sunday duty, &c., 3,970 *l.* ; Temporary Force to meet augmentation of business ; Substitutes for Officers absent through illness, &c., 18,450 *l.* ; Increase in Commission on Postal Orders and Money Orders, 5,350 *l.* ; Uniform Clothing, by annual issue of Overcoats to Postmen, and increased force to be supplied, 4,620 *l.* ;" and that "the remaining 37,516 *l.* is caused by increase of force, and annual increments in Salaries and Wages, &c., which may be regarded as automatic."
5. Then that increase of force is independent of the special increases noted in the earlier part of this Statement?—That is so.
6. There is first the "Extended Employment of Unestablished Force in connection with Parcel Work ;" is that an extension of force, which is continuous ; will that be continuous, or is it temporary?—It will grow no doubt with the increase of the parcel business.

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7. That

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[*Continued.*]

7. That is the beginning of a growth which will be more or less continuous with the growth of the business?—I have no doubt that it will.

8. Then you come to the item, "Temporary force to meet augmentation of business;" that I assume to be an entirely temporary charge, the charge of 18,450 *l.*?—No; the Temporary Force refers rather to auxiliary postmen; you will find the details of that item at page 73 of the Estimates, in small print, in the item beginning with the words, "Metropolitan District," about the middle of the page, "To provide for augmentation of business, for assistance in the delivery of letters;" that item includes the wages of all the auxiliary letter-carriers or postmen in the Metropolitan District, and is the main contributory to the general amount. Owing to the continuous and large increase of business in London, it is necessary to employ every year more men, the rule generally being to employ auxiliaries, that is to say, men who are employed for only a portion of the day, having some private means of livelihood; and then as the work becomes settled and established, to transfer them, if they comply with certain conditions, to the established force.

9. Then the phrase, "Temporary Force," does not indicate that that charge is a temporary charge, and not likely to repeat itself?—No, it is used in contradistinction to the established regular force.

10. Then there is a previous item of 3,970 *l.* for "Extra duty, Sunday duty, &c.;" what is that Sunday duty?—The Sunday duty is incurred by those men who are employed in the Metropolis on Sunday, and who, in respect of such employment, receive extra payments. Employment on Sunday is not the rule in London, it is the exception; it is met by voluntary service; but particular rates of pay are granted for it.

11. Is that an increasing charge?—I see no prospect of its diminution.

12. Is it more or less stationary?—It has risen lately owing to a slight increase in the Sunday duty in London which is necessary in order to provide for the through transit of provincial mails to the Continent.

13. Then we come to the second Sub-head, "Provincial Establishments, including Surveyors;" have you any explanation to offer with regard to that?—The increase there of 128,046 *l.* is explained on page 2 as arising "chiefly from increase of established force in provincial offices, the actual increase in numbers to the establishment already sanctioned by the Treasury being, 1,167 *l.* To provide for the salaries of these additional officers, and for improvements in existing salaries, together with annual increments, a sum of 72,067 *l.* is required. The balance is made up of 51,993 *l.*, inserted to provide for augmentation of business throughout the year, the details of which have necessarily not yet received the sanction of the Treasury, and of an additional sum of 3,986 *l.* for Incidental Expenses."

14. Then this increase is partly automatic, and partly attributable to an increase in the growth of business?—I should say that in both respects it is automatic; it is altogether automatic, in fact, since it depends on circumstances over which we, as a Department, have hardly any control, viz, the increase of business.

15. Yes, in that sense; but so far as the increase of salaries is concerned, it is a growth of expenditure which, for a certain time, is illimitable, without reference to the amount of business?—Yes.

16. So far as the growth of business is concerned, it depends upon the fact of that growth?—Yes.

17. With regard to that Sub-head, are there no special explanations which it occurs to you to offer to the Committee?—I think the note explains it and justifies it. As long as the business increases, the expenditure to provide for that business in the way of salaries, must also increase. It becomes also necessary to improve those salaries from time to time; as the work of a particular office grows, employing more men, involving greater responsibility, the salaries of higher officers have to be raised, and an improved class of persons have to be employed.

18. Taking next Sub-head, G., "Conveyance of Mails by Road and Railway, &c.," what have you to say?—The increase under this group, 5,366 *l.*, arises from increased payments to 22 Railway Companies, as will be found at page 94

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[Continued.]

of the Estimates; all the details of the sums payable to the various railway companies are given there in detail.

19. And you have nothing to add to that explanation; you think that is a sufficient explanation?—I think so. The amount carried by railways is annually increasing; continual demands being put forward for increased remuneration; and all negotiations with the railway companies are conducted under the supervision of, and only concluded with the sanction of, the Treasury, who satisfy themselves, in addition to the exhaustive examination which the Postmaster General has previously made, that the demand is a fair one, and must either be conceded, or else recourse is had, under the operation of certain Acts, to arbitration, and the matter is settled in another way.

20. With regard to Sub-head H., "Purchase of Sites and Buildings," what have you to say?—That shows a decrease this year of 28,000 *l.* The details will be found at page 98 of the Estimates, where the names of a number of places are given, where it is proposed this year to construct, or enlarge offices; and therefore to purchase sites for them or to purchase buildings, a lump sum is there inserted, to be afterwards applied specifically to particular places under Treasury sanction, which is always obtained previously to any arrangement being concluded. The Treasury satisfy themselves that a new office, or an enlargement of an office, is absolutely required; they occasionally refuse their sanction to the proposals of the Post Office; and both by the Post Office and by the Treasury most exact scrutiny is exercised over the expenditure under these Sub-heads.

21. Was the sum in the Estimates of last year unusually high?—It was; that was owing to the purchase of a site for the extension of the Post Office on the north of the present existing buildings.

22. Then we come to Sub-head I, "Superannuations;" there is no explanation, I think, required there?—There is a small decrease of 1,152 *l.*

23. Then we come to Sub-head K., "Manufacture of Stamps;" have you any remark to make upon that?—There is a decrease under that Sub-head of 4,950 *l.* I should say that that is explained in the following note in the Explanatory Statement, "This item was formerly borne on the Votes of the Inland Revenue Department, but was transferred to the Post Office Estimates in 1884-85, as being more properly chargeable to this Department." At the same time, although the Post Office defrays the cost, the Inland Revenue manages the business and conducts all the arrangements for the manufacture of stamps.

24. Have you any remark to make with regard to Sub-head D., "Agencies Abroad"?—A small reduction is shown there of 776 *l.*, mainly on account of the abolition of the agency at Suez, in connection with the new arrangements for the conveyance of the Eastern and Australian Mails through the Canal, instead of by rail through Egypt.

25. Then the last sub-heads are E. and F., "Post Office Savings Banks and Government Annuity and Life Insurance Business"?—The increase there is mainly owing to the purchase of additional land for the extension of the Savings Bank Buildings in Queen Victoria Street. The Committee is no doubt aware that the whole of the costs incurred in connection with the Savings Banks is repaid to the Exchequer from Savings Bank Funds, and that although it is voted in the Post Office Vote, it does not finally fall upon the taxpayer.

26. Returning now to the introductory paragraphs of this statement, we are told that "The cost of the management of the Post Office Savings Banks (including 58,000 *l.* for acquisition of land for new buildings), and of the Government Annuity and Life Insurance business, is recovered from the Savings Bank Funds in the hands of the Commissioners for the Reduction of the National Debt, and is entered as an 'extra receipt' in the Finance Accounts every year;" so that upon the face of the Estimate the expenditure appears without taking this extra receipt into account; that is so, is it not?—That is so.

27. But when you come to the Packet Service, I think you take that into account?—For the first time this year the amounts recoverable from India and certain colonies, in respect of the service performed for them under the Packet Vote, are treated as a reduction of the Vote.

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28. They are treated as an Appropriation-in-aid?—Yes.

29. Can you explain to the Committee why one plan is adopted with regard to Vote 4, and another with regard to Vote 3, in this respect?—The practice with regard to Vote 4, as I say, has been newly carried out this year. I am not sure whether the arrangement with respect to Savings Banks is prescribed by Act of Parliament. I am not aware of any reason why the same treatment should not be pursued with regard to the Savings Banks expenditure.

30. Has that been a question submitted to, and decided by, the Treasury?—No.

31. You have not raised that question?—No, we have not raised that question with regard to Savings Banks expenditure.

32. Is my memory correct in my thinking that of late years the principle of treating Extra Receipts as Appropriations-in-aid has received considerable application?—I believe it has with regard to the Army and Navy Votes, but not with regard to the Revenue Departments Votes.

33. Mr. *Raikes*.] Let me ask you one or two questions arising from the examination by the Chairman on this particular point, with regard to the temporary force which, as you explained to the Committee, consists largely of the metropolitan auxiliaries. It is the case, is it not, that a very considerable change has been made in the status of auxiliary postmen in the Metropolitan District in the course of the last few months?—Their position has been improved in this respect, that they get leave of absence and uniforms in a great many cases. I think that is the extent of the improvement.

34. There has been some arrangement made by which, although they are not established, some of the auxiliaries now enjoy a rather more permanent position, such of them at least as give their whole time to the Department; is not that so?—That is so.

35. In fact, the position of auxiliary postmen may be said to have very considerably improved?—On the whole.

36. And that of course has had its effect upon this Vote?—It has.

37. With regard to Sunday duty, it is the fact, is it not, that the servants of the Post Office in London are engaged for a certain number of hours duty per week, exclusive of any Sunday duty whatever?—Yes, they are not liable to Sunday duty.

38. Whereas the servants of the Post Office in the provinces are engaged, are they not, for a certain number of hours in the week, including two hours of Sunday duty?—Yes.

39. And that is a distinction which has prevailed for many years?—It is; since the memory of the Department can trace it.

40. Therefore the payments for Sunday duty, in the Metropolis, are all in the nature of overtime?—They are.

41. Whereas payments for Sunday duty in the provinces would only be overtime in cases where they exceed the normal two hours, which employes are bound to give to the service of the Department?—That is so.

42. Then, with regard to the use of the word “automatic;” the Chairman, I think, in a question which he put just now, had in his mind when he used the word automatic, expenditure which is consequent upon previous decisions of Parliament, or of the Treasury, or of the Department, and which is altogether independent of external causes; you would recognise that as the distinction, would you not, as between expenditure of this description and expenditure which is equally beyond the control of the Department, but which is due to external causes?—Quite so.

43. I think it will be well if we start with this, in dealing with the matter; perhaps the Committee will take this definition of “automatic,” that “automatic” is understood as referring to expenditure which is beyond the control of the Department, because it is the result of previously established regulation?—That is so.

44. There was a very considerable addition to the expenditure of the Department, was there not, in the way of salaries and increments during the years from 1880 to 1884?—Yes. In 1881 there was a very large addition made,
in

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[Continued.]

in the aggregate, to the salaries of certain classes of employes of the Post Office, principally sorters and telegraphists, all over the country.

45. And those salaries were not only increased at the moment, were they, but the maximum of those salaries was largely increased?—The maximum was also raised.

46. And those salaries have, in a very great number of cases, not yet attained the maximum?—I believe that is so.

47. And indeed I think I may take it, may I not, that in the great majority of cases they have not yet arrived even at the mean?—I am not prepared to say so absolutely, but it is probable.

48. But these salaries, which were fixed during the administration of Mr. Fawcett, are still very largely on the increase, and will continue to increase for many years to come; is not that so?—No doubt.

49. Let me also ask you this: has it not become necessary, in subsequent additions to the force which public requirements have since necessitated, to apply the same scale of increment to the new officers who have come into the service which was granted to their colleagues under Mr. Fawcett's scheme in 1881?—Yes.

50. And all that class of expenditure may be justly denominated as automatic?—I think so.

51. Passing on to the question of the cost of the conveyance of mails from this country, I think you said that very great care and very strict scrutiny was exercised, not merely by the Treasury, but also by the Department, in making arrangements with the railway companies for the conveyance of mails?—I did.

52. It is the fact, is it not, that at the present moment at least one very important arbitration is pending with one of the large railway companies, because the Post Office has regarded their terms as excessive?—Yes.

53. Mr. *John Ellis*.] Can you give us the Act of Parliament under which that arbitration is held?—The Act of 36 & 37 Vict. c. 48, ss. 18 and 19, requires the railway company to convey by any trains which they may run, all mails tendered for conveyance, the payment, failing agreement, to be determined by arbitration, in the manner prescribed by the Act 1 & 2 Vict. c. 98; and the Act 31 & 32 Vict. c. 119, s. 36, prescribes the same course when the Postmaster General requires the whole of a train to be appropriated exclusively to mail service.

54. Mr. *Raikes*.] Passing now to buildings, or rather sites; it is the fact, is it not, that while the Post Office is responsible for the expenditure for the acquisition of sites, the Office of Works is responsible for the construction of the buildings on those sites?—That is so.

55. Has that always been the case?—So far as I can remember. That arrangement commenced, as I am informed, in 1868.

56. While admitting that, on grounds of public policy, it may be desirable that all new buildings should be constructed by one Department, which should be responsible for them, do you think that it might be advisable to give to the Post Office any jurisdiction as to small repairs, and matters of that sort, which are scarcely worthy of inviting the intervention of another Department?—My own opinion, founded upon a pretty careful observation of the subject, is that the service would benefit by such a course. Whilst receiving very hearty co-operation from the Office of Works in all respects, we do find that the employment of another Department to carry out small items of repair and maintenance is productive of delay, and sometimes of friction. I believe that if the Post Office were entrusted with the management and execution of those minor details of repair, it would be able to do them no less cheaply than the Office of Works, and I think with greater despatch.

57. Perhaps, in order to illustrate your meaning, you will tell the Committee what occurred not long ago with regard to the case of a filter?—The case of the filter was this: that at a provincial office a filter was required for the use of a small branch of clerks, eight in number; that a requisition was addressed to the Office of Works to have that filter put up, and the surveyor in that district

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[*Continued.*]

reported to his superior officer at head-quarters, that in his opinion the filter had better be placed in the corridor. That opinion was endorsed by the Office of Works, and referred to me at the Post Office, and again sent down by me to the controlling officer at the local office for his opinion, who maintained his opinion that the filter would be useless in the corridor, and was only required in the room. It went back again to the Office of Works, who still held to their opinion that it would be more useful in the corridor. There were altogether nineteen references backwards and forwards between the Office of Works, the Post Office, and the local office. It resulted in the Office of Works graciously giving way and allowing the filter to be put up where it was really wanted.

58. And all that would have been saved, would it not, if the Post Office had a jurisdiction in these minor matters?—It would in that instance; I am not prepared to say, as an old Treasury officer, that considerable advantages may not be gained by having a central department conversant with the requirements of all Imperial buildings all over the country, and exercising a general control; that may tend no doubt in the direction of economy in the long run, and taking the wide view. But as regards the Post Office, which is of so vast a size as to fully justify its being entrusted with the execution of such details, I think we could manage the work as cheaply as, and, as I said, more expeditiously than, the Office of Works.

59. Mr. *Plunket*.] And charge it upon your own Votes?—That would only be fair; if we have the control of it we must pay for it.

60. Mr. *Dixon-Hartland*.] Were all these reports with reference to the filter which were sent backwards and forwards paid for, or did that come under the head of salaries?—No payment was necessary; it was a mere endorsement and writing for an opinion.

61. I thought you said that a surveyor went down to see it?—The Office of Works has a district surveyor.

62. Then there was no extra payment?—No.

63. Mr. *Henniker Heaton*.] When repairs are required for district offices is the question referred to the Office of Works?—It is referred to the Office of Works for their own opinion as to its expediency.

64. If a lock becomes useless in a country post office, have you power to repair it?—No, we cannot put in a nail, or drive a screw, or hang a bell.

65. You may remember a remark that I made in Parliament, that in the case of one country post office, it had three or four pounds expenditure incurred through an officer having to go up there to mend a lock; is such a thing possible?—I do not remember the particular remark to which the honourable Member refers. It is no doubt possible that it may have involved a journey and expenditure.

66. If you had the authority, you could have had it done at once, could you not?—Yes, without any such expenditure for a journey, certainly.

67. Mr. *Plunket*.] Have you it in your mind to assign any limit at which the works ought still to remain with the Office of Works?—The subject has never been considered as within the region of practical politics. I think that some line might be easily drawn, for instance, at the point where structural alterations are involved.

68. But would you not propose some limit of expense. As I understand, your position is, that while not denying that on the whole it may be more economical that all repairs should be carried out by one office, whose business it would be, in the public interest, to look after those things, at the same time, you think that there is friction and inconvenience about very small details where no great saving may occur?—That is what I think.

69. Could that be carried out, without drawing a line, with regard to the expense between those repairs that might be done by the office immediately concerned, without the Office of Works, and those that remained with the Office of Works?—No doubt such a line would be practicable, and, I have no doubt, expedient.

70. But

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[Continued.]

70. But you have not, in your mind, any limit at present?—No.

71. *Mr. Richard Chamberlain.*] I understood you to say that you thought the Post Office large enough to undertake the whole of their buildings and repairs, and that therefore no limit would be required with regard to the Post Office; but that with regard to other and smaller departments there, in the long run, it would tend to economy for the Office of Works to undertake repairs?—I think that the Post Office is large enough to be entrusted with the whole of its buildings, and so on; but I am not prepared to advocate that. I should only go myself so far as to propose, for the present at least, that alterations of a minor character should be executed by the Post Office.

72. *Mr. Jackson.*] This is rather raising a large question. Would it not necessitate a setting up, within the control of the Post Office, of a new Department of the Office of Works?—No doubt we should have to employ additional officers, having professional qualifications.

73. *Mr. Henniker Heaton.*] In fact, officers now employed in other Departments would, as it were, be used in the Post Office. Necessarily other Departments have to employ officers in Post Office business?—Yes, in the Office of Works; they could be transferred to the Post Office, if it were thought desirable.

74. *Mr. Jackson.*] But could they be transferred to the Post Office; in the taking over by the Post Office of all the work in connection with the Post Office buildings, would you propose to take over, at the same time, all the work at present done by the Office of Works for the other Revenue Department buildings?—I am only concerned with the Post Office.

75. Would not that involve the possible duplication of offices dealing with works of a similar kind?—Not necessarily. I think that the Office of Works would be relieved of an amount of work which it does for the Post Office, and would be relieved of the officers who do that work.

76. Let us take Leeds as an example; supposing that the work in connection with the Post Office buildings in Leeds were transferred to the Post Office Department, there would still be the necessity for the Office of Works keeping somebody in the district who could attend to the other Revenue buildings in Leeds, or the buildings belonging to other Revenue Departments; and would there not, therefore, be a duplication; you would have two officers of like station dealing with like work in one town, where at present it is done by one?—I suppose that the other Government buildings in Leeds are small in number and extent, and consist only of the County Court and Inland Revenue Office.

77. Still they require, from time to time, some work being done upon them?—True; but if the work of the Office of Works were diminished at Leeds, their officers could be spread over a larger area.

78. Which would involve larger travelling expenses?—Possibly.

79. *Mr. J. F. X. O'Brien.*] What advantage do you say would accrue from the adoption of the system of taking over by the Post Office the construction of buildings?—I have not been advocating the taking over of buildings; that has rather grown out of the smaller question of the filter. I have advanced certain opinions with regard to the execution of minor works and alterations, and the Committee has now got to a larger question of taking over all the buildings. As I say, that has never been approached in a practical sense; and whilst I believe that it could be done as cheaply by the Post Office, and as expeditiously, I do not know that I am prepared to advocate it as an actual measure.

80. *Mr. Dixon-Hartland.*] I suppose that the objections which the Secretary to the Treasury has raised would not exist in the case of only small temporary repairs, because the postmasters could take charge of them; they would not want any actual surveyor on the spot?—Yes; I do not think that any particular expenditure would have to be incurred by the Post Office if the

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limit were, as the First Commissioner of Works suggested, drawn at a particular line.

81. Mr. *Brunner.*] Would you propose to establish a central office to control all these small repairs?—The central office in London would always have the deciding voice.

82. Would there be no risk then of a repetition of the filter story?—There might be a difference of opinion; but that could hardly, I think, reach the limits which the filter case did.

83. I have heard similar statements of other Departments; you would perhaps recommend two limits, viz.: one the amount of expense, and the other the amount of business done in the office; you would possibly give a larger discretion to the postmaster in certain large towns, than you would give to the postmaster of a small country place?—Yes.

84. Mr. *Dixon-Hartland.*] Everything would come up to you at the head office at last, would it not?—No, I think that the plan would be to entrust the postmaster with the execution of repairs, say up to 5 l., 10 l., 15 l., or 20 l., in proportion to the magnitude of his office; but that anything beyond that should only be carried out by the Secretary's authority, or even by the Postmaster General's authority.

85. Mr. *Plunket.*] But would not that lead to a great deal of leakage, which, in many small places, would make up altogether a good deal of expense?—It is open to that possible objection; I am not prepared to deny that.

86. Mr. *Brunner.*] Your postmasters in large towns are men of such position, are they not, as would, in a private business, be entrusted with such small matters?—I believe they would be.

87. Mr. *Raikes.*] With regard to the large estimate for sites last year, which you have told us was mainly caused by the General Post Office, North, in London, is it not the fact that the Estimate for that site was very much reduced in the year 1886 by the Treasury; and that it had afterwards to be voted as a Supplementary Estimate, as soon as the actual cost was ascertained?—That was so.

88. With regard to the manufacture of stamps, and stamp matter, the explanatory statement notes that that "shows a decrease of 4,950 l., the Estimate furnished by the Inland Revenue Department being less than in the previous year." The statement goes on to say: "this item was formerly borne on the Votes of the Inland Revenue Department, but was transferred to the Post Office Estimates in 1884-85, as being more properly chargeable to this Department." That transfer of the Vote took place, I believe, after the negotiations of the present contract for the manufacture of stamps and stamp matter?—That contract was made in 1880.

89. But that contract was entirely negotiated by the Inland Revenue Department?—Yes.

90. And the Post Office had nothing whatever to do with that contract; that is so, is it not?—The Post Office had nothing to do with the terms of the contract.

91. I think you have already stated your opinion to the Chairman, but I should like to have from you again whether you do not think, that inasmuch as the Post Office has become responsible for this large expenditure, the Post Office is the Department which ought to have the control of that expenditure?—I am certainly of that opinion.

92. We have no control over the terms that are made in such a contract at the present time at the Post Office, have we?—None.

93. Mr. *Henniker Heaton.*] When will the present contract expire?—In 1890.

94. It was a 10 years' contract?—It was a contract for nine years.

95. Is there no means of terminating the contract before its expiry?—I am not aware that there is; but the Post Office is not in possession either of the contract, or of the terms of the contract.

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96. Mr. *Raihes*.] With regard to the questions put to you by the Chairman as to any distinction to be drawn between Extra Receipts in the case of the Savings Banks Vote and the Packet Vote, is there not this distinction, that in the case of the Savings Banks Vote the whole of that expenditure is recouped to the Department by the Commissioners of the National Debt, whereas, in the other case, the Extra Receipts from the Colonial and Indian Governments are only contributions to the Vote?—There is that distinction.

97. Is it not a reasonable supposition that when the Treasury sanctioned this new arrangement of the Packet Vote by allowing credit to be taken for these contributions, it may have been in the mind of the Chancellor of the Exchequer that there is a distinction between the two systems?—I am unable to see why the distinction should render a difference of treatment necessary, and, inasmuch as no proposal has been made to the Treasury to take the repayments in respect of Savings Banks expenditure as Appropriations-in-Aid, I am not aware that the Chancellor of the Exchequer has ever considered the subject.

98. But there has been a new practice, as the Chairman pointed out, which has been adopted with regard to these Extra Receipts in the Packet Vote for this year?—That was at the suggestion of the Post Office.

99. It was; but it was sanctioned by the Treasury, was it not?—It was sanctioned by the Treasury.

100. The object of that was, was it not, to show how much was to be borne by this country in a composite service; that is to say, that in a service which is partly supported by this country, and partly by other Governments, it was desirable to show how much of it was contributed by those other bodies?—I do not think that that was the exact reason; because that fact has always been shown by a statement at the end of the Estimate of the amount recoverable from different countries, but payable to the Exchequer as Extra Receipts, not treated as Appropriations-in-Aid. I think that our object at the Post Office was rather to diminish the gross charge upon our Vote.

101. In fact, not to be responsible for that which was not our expenditure?—Quite so. The same argument, I might perhaps say, would apply with equal force to the Savings Banks expenditure, because the present method of treating that expenditure as an Extra Receipt repayable to the Exchequer would be prejudicial to the financial credit of the Post Office, inasmuch as every year we are made to appear as incurring an increased gross charge for Post Office service, and we get no credit by way of deduction for these charges.

102 Mr. *Baumann*.] I want to ask you one or two questions with regard to the very large increase in connection with the metropolitan establishments. Can you tell me in what way you provide for the pressure on Christmas Day, New Year's Day, and St. Valentine's Day, with regard to your clerical staff, and with regard to the deliveries in London?—There is not much pressure on the clerical staff. The extra work mainly falls upon the collecting, sorting, and delivering staff, which is met by bringing on a considerable number of men for some months before Christmas, and subjecting them to a certain course of training; they are discharged immediately the time of pressure is over. St. Valentine's Day does not now require any particular increase of force.

103. I suppose that you employ, more or less, the same set of men every year for this extra work, do you not?—Yes, the same class of men, and, I have no doubt, in many instances the same men. They are sometimes commissionaires, and sometimes officers of other Government Departments, whose official work is concluded at such an hour as will admit of their coming to the Post Office; and then there are a very large number that are taken from the public generally whose characters are inquired into, and of whose trustworthiness we satisfy ourselves.

104. Then you do not make any addition to the clerical staff during those seasons of the year?—No. Whatever additional work the clerical staff has to perform is very small in relation to any particular man or men, and is performed by extra duty.

105. By working overtime, do you mean?—Yes. I should add that we employed many telegraph boys last year on the sortation and delivery, who will

will soon be drafted into the Post Office service itself as postmen or junior sorters.

106. You said that you meet the pressure on the clerical staff, such as it is, by working your ordinary employés overtime; can you tell us for about how many hours over their working day they are kept at the Post Office, on occasions of pressure?—I do not think that the Christmas work, as I said, leads to any appreciable increase of clerical labour.

107. What is the working day of an employé in the Post Office?—Six hours for a clerk.

108. From when to when would that be?—That depends on the office; in some cases it is from ten to four. The general rule is from ten to four.

109. For men and women alike?—For men and women alike.

110. Do you mean to say that on these, what I may call holiday occasions, they do not work very much after four o'clock?—There is no clerical labour required in the sortation and delivery of letters; that does not fall upon the clerical staff.

111. Perhaps "clerical" is too limited a term; sorting work you do not call clerical work?—No; that is performed by sorters.

112. In the Sorting Department then, is there very much overtime on these occasions?—The amount of overtime in that Department on such occasions is very large indeed.

113. And that work is done, as I understand you to say, not by taking on fresh hands, but by working the male and female clerks straight on end?—Not exactly; there are no females employed in sortation duties. The extra work is discharged partly by the regular staff, who work many hours in addition to their ordinary hours, and partly by the introduction of the outside labour to which I have referred.

114. But the introduction of outside labour was only, I think you said, with regard to the delivery of letters?—No; with regard to sortation also.

115. How many hours now, after four o'clock, do you suppose that these people work?—The limit of from ten to four does not apply at all to those employed on sortation and delivery; that only applies to the clerical staff to which the honourable Member originally referred.

116. Then are there no limits to the hours of those employed in sorting?—Yes, there are. The ordinary limit is eight hours a day; but a man may come on at four in the morning and work till twelve, or come at ten and work till six, or come at twelve and work till eight, or he may come at two and work till ten. It depends on the time at which the mails arrive and have to be dispatched.

117. I do not think you have quite explained this great increase of 18,000 *l.* to meet augmentation of business, and substitutes for officers absent through illness; have you many absentees through sickness?—In such a large force, of course there is a certain amount of illness, and officers absent in consequence; but that is only a small item in the general amount. The assistance in the delivery of letters is the main item, as I have already explained, the wages of auxiliary postmen.

118. I may take it then distinctly from you, may I, that in the Clerical Department there is no overtime work and that the hours of work, I think you said, from ten to four?—That is the ordinary official day.

119. And there is no overtime in that Department?—Yes, there is overtime very frequently in a great many branches where the clerical staff is employed; but no particular amount of overtime is rendered necessary by the Christmas pressure on the clerical establishment.

120. And when overtime is worked either in the Clerical or the Sorting Department, how do you pay for overtime; do you pay an increased rate of wages?—Overtime is paid at rates laid down by the Treasury, applying to the different ranks of the officers employed. Recently a new schedule, as we call it, of extra duty rates has been sanctioned according to which the payment will bear a certain *pro rata* proportion to the wages of the men.

121. You pay more for overtime work, do you not?—No, we do not pay more for overtime except at unseasonable hours. If, for instance, men have to work in the middle of the night, or are brought on at four or five o'clock in the morning,

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morning, or have to work on Sundays or holidays, then they get a slightly higher rate.

122. Do female clerks work overtime?—They do in the Savings Bank Department to a considerable extent at the commencement of each year, when there is a very large amount of extra duty to be performed in connection with the computation of interest. That lasts for some weeks.

123. Do they work this overtime voluntarily, or is any pressure put upon them?—They mainly work voluntarily, and, as a general rule, very willingly, because of the increased remuneration. Of course if the work of the Department required it, a certain amount of pressure would be applied, but I am not aware that that has ever become necessary; and if it were, it would always be applied with great consideration for individuals.

124. How do you provide substitutes for sick absentees?—They are generally provided by the officer in charge of the particular business to be performed. This is usually done by employing some one out of his turn.

125. And you cannot tell us now, I suppose, or give us any idea of the percentage of sick absentees that you have at the Post Office; I should like to know what that means in numbers, and in money also, because it must be an expense?—To what class does the honourable Member refer?

126. I should like to have it for all the Departments, if you could get it. There are several Departments in the Post Office, and I think it important rather. Of course you know that the charge has been brought against the Post Office more or less frequently in the Press of working a good deal of overtime and of knocking up its assistants, and that is the object with which I put these questions to you?—I have seen such cases sometimes adverted to in the Press, and I am aware that there has been agitation amongst the officers of the department complaining that such was the case; but it has never been proved to the satisfaction of the Postmaster General that those complaints were well founded.

127. And you do not think that they are well founded?—Certainly not.

128. If you could give us the figures of the sick absentees in the different Departments, I think it would be well, because it is a question of money too; there is the expense of providing a substitute?—It is hardly a question of expense, because large deductions are made from pay on account of absence from sickness among those classes.

129. Do you mean that when a substitute is provided, there is no additional cost?—I do not say that there is no additional cost, but the additional cost is not large because of the deductions from the pay of the officer who is absent.

130. But you have this increase of 18,450 £, which you yourself explain as being carried by “temporary force to omit augmentation of business, substitutes for officers absent through illness, &c.,” so that the absence through illness is a factor in your calculations?—Yes; but I say that it is a very small factor indeed. With regard to this absence through sickness, in the London Eastern Central District, the whole force being 1,351, the absence of staff officers in the Postal Telegraph, that is, in the high ranks, the controlling officers, was, in the year 1886, 12 days per man; but that is a very high amount, because in that year there were one or more officers who were absent for a very long time owing to special causes.

131. That was the average absence on sick-leave?—Yes; in the case of the postal clerks it was seven days; male telegraphists four days; female telegraphists 10 days; inspectors or assistant inspectors, overseers, assistant overseers, and counter-men 12 days. There again it was unusually high owing to one or two serious cases of illness. In the case of postmen it was nine days, (I am not giving the decimals, but the round number), and in the case of telegraph messengers six days. The average absence per head of the whole force, eight days per man.

132. All over London, or in this district, do you mean?—In the Eastern Central District. I can give you the figures also with regard to the South Eastern District if you like.

133. Yes, I should like to know about that?—The force consists of 713. In the case of staff officers the amount of absence through sickness was nil.

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In the case of postal clerks it was 29 days per man. There the same note is inserted in regard to these cases: "The high rate of absence was due to the lengthened absence of one or more officers." In the case of male telegraphists it was five days; and in that of female telegraphists 12 days. I ought to say that those figures do not relate to the item which is under discussion, because that is "Telegraphs;" whereas the Committee is on the Post Office Vote now. In the case of inspectors and assistant inspectors, &c., it was five days; sorting clerks, nine days; boy sorters, five days; and postmen, 14 days; with the same note applicable. The average absence per head of the whole force is again eight days per man.

134. I take those as two samples of London as a whole. Could you now tell us how much of this 18,450 *l.* you think can be debited to this provision of substitutes for sick absentees?—I cannot tell the Committee on the spot; I can ascertain that.

135. Could you tell us how much is due to overtime wages?—I cannot split up any of those items at the moment; I can obtain the information for the Committee, and see how the total is composed.

136. You cannot give us, I suppose, the total number of hours of overtime in the Post Office in the last year?—A very large amount of what might be called overtime is performed without any payment at all. For instance, officers of the major establishment, what we call the clerical establishment, receiving fairly high rates of salary, such as from 200 *l.* or 300 *l.* a year, are always expected to stay and do the work as long as it is to be done, without any extra pay.

137. That you cannot keep any account of; but can you not tell us the number of hours of overtime that has been paid for?—No doubt that could be obtained; it would be a work of considerable labour.

138. You cannot tell us more?—Certainly not.

139. Mr. Hankey.] I want to ask you a question arising out of a previous answer given by you to Mr. Baumann. Is there any system adopted with regard to sick absentees. Supposing, for instance, that a man says he is ill, is that allowed to reckon as a fact on his own assertion, or is the case inquired into?—There is a very strict system indeed. A man has to send certificates; those certificates are the certificates of the medical officers of the Department who examine men all over the town or provinces, as the case may be, and these are subject to the scrutiny of the chief medical officer or his assistant.

140. So that it is fair to suppose that all these cases are real *bona fide* ones, so far as you can tell?—So far as the Department is aware, it is so.

141. With regard to the Parcel Post, I suppose that that is a cause of great increase in expenditure?—Yes, very largely.

142. Is that more particularly the case with regard to London, the metropolis, or rural districts?—To both.

143. With regard to rural postmen more particularly, do you expect them to carry out the same amount of work with regard to the Parcel Post as they did formerly when they simply had letters to carry; have they to carry the parcels in addition to their letters and periodicals, and so forth?—Up to a certain weight they have to carry them. If the parcels exceed that weight the men are mounted, as it is called, put on wheels, or they receive assistance.

144. Is that left to the discretion of the rural postmasters?—No, they institute inquiries and report the necessity to their surveyor, who examines into the case, and finally obtains authority from the Secretary, who submits it, with other payments of a similar character, to the Postmaster General.

145. I suppose that in exceptional cases you allow power to rural postmasters to give assistance; because a case might arise suddenly without warning, which it would be impossible to refer to London?—The provincial postmaster is required to act on his own authority and discretion in such matters, and would be blamed if he did not do so; but he must justify such action.

146. Mr. Mowbray.] I think you said that a man was allowed in the case of a sick absentee sometimes to name his own substitute?—He is required to

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to make arrangements, if possible, to send in someone; if not, the head of the branch or department would call for substitutes.

147. But would you hold him personally responsible if anything went wrong with his substitute?—No, I do not think so.

148. I suppose that the increase in the commission on postal orders and money orders is not any real increase of charge to the country?—It is a direct charge upon the Vote; but it is more than recouped by the gain on the postal order business.

149. Exactly; the receipts from the postal order business more than pay the cost of commission on the postal orders?—Yes.

150. Is that so on the money order business?—The money order business is decreasing, as the honourable Member is no doubt aware, except with regard to foreign business.

151. Still, whatever business is done, I suppose it pays its own expenses?—Yes.

152. So that that increase does not really represent any increased charge upon the taxpayer?—No.

153. With regard to the charge for the estimated purchase of sites for buildings, has Parliament any control over the specific appropriation of these items?—As the sum is voted in the lump, Parliament has certainly no knowledge of the specific amount required for each particular place. The House of Commons votes the amount to be expended by the Post Office under the control and with the sanction of the Treasury. Perhaps you will allow me to explain that it has been considered undesirable to insert particular amounts; because, for one thing, it may prejudice negotiations for purchases. If vendors see that a certain amount is voted for the purchase of their property they will be sure not to accept less. For another thing, it often becomes impossible, either through legal delays, or delays in the negotiations, to carry out the purchase in the year; and in those circumstances the Treasury is in the habit of authorising the Post Office to spend money which has been voted in a lump on other items which are in the list, on which expenditure is required for an office which has not been inserted in the list owing to unforeseen circumstances.

154. Would the Post Office, then, pay for a site which is not upon this list out of money which Parliament has voted in the whole?—Possibly it might have to do so; and then I have no doubt that that would be reported by the Comptroller and Auditor General on the Appropriation Accounts, and thus it would come to the knowledge of the Committee of Public Accounts.

155. No Supplementary Estimates would be taken for it?—Not unless the gross total of the Post Office Vote were exceeded. The Treasury has power to apply savings on one sub-head to excesses on another, and that action is reported also by the Comptroller and Auditor General. A Supplementary Vote is only taken when the gross total of the Vote is exceeded.

156. Mr. J. F. X. O'Brien.] Would it be possible to get a statement showing how the work done by the Post Office increases comparatively with the cost of the work?—That has been shown in the returns which have been prepared under the direction of the Treasury, and which will be circulated for the information of the Committee.

157. With regard to the extra receipts, would it not be desirable, in fact (I think you say that you yourself are of opinion that it would) that they should be treated in the Post Office with regard to savings banks, similarly to extra receipts for the Packet Service?—I think so.

158. With regard to these repairs and small outlays, it appears to be very desirable, does it not, that some arrangement should be come to by which the ponderous machinery of the Office of Works need not necessarily be set in motion for every trifling repair?—I should like to see that done.

159. Mr. Dixon-Hartland.] I should like to ask you a question or two with regard to the manufacture of stamps; I see that a sum of 159,600 £. is put down for it; is the whole of that expenditure by contract (that is Sub-head K); if not, how much is contract and how much is not?—The details will be found at

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at page 112 of the Post Office Estimates, and, so far as I am aware, all that amount would be spent under contracts made by the Inland Revenue Department for postal cards and wrappers, water-marked paper for adhesive stamps, printing and gumming adhesive stamps, envelopes, dies and plates, paper for and printing of postal orders, and registered envelopes.

160. You stated that this contract was made by the Inland Revenue Department entirely, and that the Post Office have nothing whatever to do with that; do I rightly understand that when the Inland Revenue Department made that contract, in 1879-80, it was never submitted to the Post Office in any shape or form?—Not that I am aware of.

161. Then, in fact, they made the contract utterly and entirely without giving you any chance of making any explanation upon it, or of showing that it was extravagant in any way?—That is so.

162. And if that contract had been placed in your hands, in your opinion, is it such a contract as should have been made?—Never having seen the contract, I am hardly able to express an opinion with regard to that; but I do not know that the Post Office would have the technical knowledge to enable it to express an opinion. If the work were transferred to the Post Office our officers would, no doubt, obtain the necessary technical knowledge to enable them to control and arrange such matters; that would hardly be very difficult.

163. Who were the Commissioners of Inland Revenue at the time when the contract was made?—The officers were Sir Charles Herries, Mr. Alfred Montgomery, Mr. (now Sir) Algernon West, Major Keith-Falconer, and, I think, Mr. Northcote, now Lord Iddesleigh.

164. And the present Chairman is Sir Algernon West, I think?—Yes.

165. Would he not be the person to give us the most information upon the question of that contract?—Certainly.

166. Who was the Comptroller of Stamps at that time?—Mr. Cousins.

167. Who is the present Comptroller of Stamps?—Mr. Purcell.

168. As you are kindly giving us your evidence, I should like to ask you whether you have any suggestion to offer with regard to the manufacture of stamps, which you consider would be of advantage to the Department?—No; I have already said, in answer to the Postmaster General, that as the Department has to pay for the manufacture, I think the control of the business should be in its own hands.

169. In fact, you cannot give me any information with regard to the contract, or anything; I must get that entirely from the three gentlemen I mentioned?—Yes, if you please.

170. Mr. Plunket.] The influence of the interference of the local surveyor on behalf of the Office of Works in cases where applications are made for some structural change, or for some small alteration, is very often in the direction of refusing the application, is it not; I mean to say in the small class of alterations that you were referring to?—I would not say very often; they are occasionally protested against, and perhaps finally refused. But the Post Office, I believe, does not prefer demands upon the Office of Works of the propriety and necessity for which it has not previously satisfied itself; and such demands, if they are protested against or objected to, are again and again pressed upon the Board, and I think, as a general rule, are in the end yielded to.

171. Very often with modifications, when they are agreed to, in the direction of economy; is that not so?—That may be so.

172. And in some cases altogether refused?—Yes; I should say that when they are refused we generally believe that we have such a good case that we go to the Treasury about it and appeal to them; and we sometimes win our battle.

173. And sometimes Cæsar decides against you?—Sometimes.

174. Therefore, to some extent at least, the check upon expenditure would be removed by this transfer which you have been advocating, unless you employed an officer corresponding to the surveyor now employed by the Office of Works?—That is so; but I should like to be allowed to add that I think the check that is thus exercised upon expenditure is often to the prejudice of efficiency.

175. Do you think that that is so to any considerable extent?—I cannot say the actual extent to which it goes; but I am convinced that it is occasionally so.

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176. Mr. *Brunner*.] You have told the Committee a little while ago that the Post Office has no copy of the contract for the manufacture of stamps made, as I understand, in 1878-79, the contract being for 10 years?—The contract was made in 1880. So far as I am aware that is so.

177. The Post Office has no copy of that contract?—No.

178. Has it never occurred to you to require that contract?—No.

179. You have never desired to know the details of it?—No.

180. It has been of no practical inconvenience to you that you have had no knowledge of the contents of that contract?—None that I am aware of.

181. Considering the answers which you have given to the Committee this morning on this subject, do you still tell the Committee that it has been of no inconvenience to you to know nothing of the contents of that contract?—I am not aware that it has been of any practical inconvenience.

182. Are there any other contracts made by other departments, the knowledge of which has not been communicated to you, which it would be to the advantage of the public service should be communicated to you?—The only other contracts that are made in connection with the Post Office by other departments are those made by the Office of Works for the erection of buildings; and the Post Office does not inquire into the terms of those contracts. We happen to know the amounts, it may be, but not necessarily.

183. They are not officially communicated to you?—No; the charge is borne on the Votes for the Office of Works, and the details concern them, and them exclusively. Of course, they concern our convenience.

184. So far as your convenience is concerned, are you fully consulted?—Certainly. With regard to buildings the Office of Works is most courteous, and consults the requirements of the Department in every way. There are other contracts, I am reminded, entered into by the Stationery Office for the supply of all our stationery. We know nothing of the contracts or of their terms. All we require is, that we get the proper articles. And there are contracts also entered into by the War Office for our clothing. We are consulted as to the material, the shape, the colour, the prices, and all the details; but the contracts are made by the War Office, with the approval of the Postmaster General, and do not necessarily come to us.

185. Amongst the terms of such a contract would be the time of delivery, would it not?—I presume so.

186. And must we understand that such a matter as the time of delivery for your uniforms is not a matter that it would be convenient for you to know?—That is a matter that is provided for, and is, in the long run, adhered to. We have occasionally reason to apply to the War Office with regard to delays in the supply of clothing, or to the Stationery Office with regard to delays in the supply of stationery.

187. Then the probability is, we may take it, that it would be to your convenience, and to the advantage of the public service, that you should have copies of those contracts?—I do not know that it would materially result in any increased convenience to the Post Office.

188. Would it involve much labour?—None, I should think.

189. Nevertheless you tell us that the expenditure of so small an amount of labour is, practically, I may take it, hardly worth while?—The amount of labour would simply be the transmission of a copy of the contract.

190. That is so. Would you not advise that copies of these contracts should be communicated to the Post Office?—Inasmuch as we have never, so far as I am aware, sustained any practical inconvenience from being ignorant of the specific terms of a contract, I should not be prepared to urge the adoption of any other course.

191. Than that which has been hitherto followed?—Yes, so long as the contracts are made by other departments.

192. I will not press that matter any further, though I am very much astonished to hear what you say. You told us some time ago that the office hours for the clerical staff were from ten to four, and shortly afterwards you spoke of that as six hours' work; is that really six hours' work, or is there not

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an interval for luncheon?—No doubt officers are allowed a certain amount of time for luncheon.

193. I was about to ask you for a definition of overtime; does overtime begin after this amount of work?—I think I am correct in saying that overtime under an hour is not regarded as being fairly charged for.

194. But overtime of two hours would be reckoned as two hours?—Yes.

195. And overtime would begin when the clerk had worked, or attended at the office, longer than from ten to four?—Yes, if those were his official hours.

196. You told us that for the clerical staff the hours were from ten to four?—They are generally.

197. So that overtime begins practically after five and a-half hours' work, because what you pay for, I understand, when you do pay for overtime, is for time beyond this amount of office hours?—Yes; but I should not be prepared to admit that the clerical staff of the Post Office only gives five and a-half hours' work; they always arrive very punctually, and they do not always leave very punctually. I think I may say that they treat the State very fairly with regard to their attendance, and, as a rule, I should not think that anything like half-an-hour was taken for luncheon. Many officers have their luncheon in the building; they bring some sandwiches with them; they do not take five minutes over it; I do not think therefore that the State gets much less than a fair six hours' work out of its officers.

198. I do not know whether my next question comes fairly under this Vote; but I want to know who communicates with the foreign post offices with regard to questions which are interesting in the management of their work?—The Secretary, in the name of the Postmaster General.

199. Direct?—Direct.

200. Not through the Foreign Office?—Only in rare cases, when it is considered by the Postmaster General that the convenience of the Foreign Office is involved, or that the matter ought to come to the cognisance of the Secretary of State.

201. And that is a system which meets with your approval?—Certainly.

202. Mr. *Preston Bruce*.] I should just like to ask you one question which relates to the system of getting clothing for the Post Office through the War Office. I do not think the question was directly put to you whether you consider that to be a satisfactory system?—I do not think that the Post Office has ever taken particular exception to it. We are rather inclined to believe that we can do things as well for ourselves as other people can do them for us; but the War Office has a very large amount of experience with regard to uniform clothing and contracts, and examination of materials, and so on; and the Post Office has hitherto been very glad to avail itself of the assistance of that Department.

203. You are not prepared to suggest that it should be taken away from the War Office, and the arrangements for clothing put under your own Department?—No.

204. Mr. *John Ellis*.] My first question is one relating to parcels. Do I rightly understand you to suggest that the great increase in the cost of the Post Office Service during the last few years is mainly to be ascribed to the new service of conveying parcels for the public?—I have not said so.

205. That a large portion of the increase is due to that?—A large proportion of it, no doubt, is.

206. Can you separate the figures as between letters and parcels?—We cannot separate the expenditure. The revenue is ear-marked, of course, as a certain proportion for parcels has to go to the railway companies; but the expenditure is amalgamated with that for all the other business for the Post Office.

207. Taking page 9 of the last Annual Report of the Postmaster General, could

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could you give me the proportion of the 8,000,000 *l.* of revenue which you see there derived from parcels?—Certainly.

208. Would you mention that?—It will be found at page 3 of the last report of the Postmaster General. There is a tabular statement there for three years; for which year does the honourable Member ask?

209. I want to get on the notes, for the last year, the proportion of the 8,000,000 *l.* that is derived from parcels?—The amount received for parcels by the Post Office, and forming part of the 8,000,000 *l.*, is 360,858 *l.*

210. On that same page 3 there are the figures of the number of parcels carried, and the last figure is for the year ending the 31st of March 1887; can you give the figure for the 31st of March 1888?—Yes.

211. Can you state it to us?—I have not got it with me.

212. Do I correctly understand that the rate of increase of parcels is continuing, that is to say, is the increase for the year ending 31st March 1888 over 1887 the same as that in 1887 over 1886?—No, I do not think it is, because in that year 1887 new rates were introduced, and the limit of weight was raised from 7 lbs. to 11 lbs.; therefore that year showed a very large proportion as increase, which the succeeding year would not show.

213. Then we can hardly take it that the rate of increase in the revenue from parcels will go on increasing?—It will, no doubt.

214. But not at the same rate?—Not at the same rate as in that year when differential rates and higher weights were introduced.

215. Then, turning to the sum for uniform clothing, on page 2 of the statement before us, there is a sum of 4,620 *l.* for uniform clothing; could you state briefly whether there has been any change in the regulations in respect to the issue of uniform clothing in the last year or two?—The Postmaster General has made some changes tending to the comfort, and therefore to the efficiency of the force in the direction of supplying summer clothing. That, I think, was done last year.

216. Changes which make a substantial addition to the men's wages; may we infer that?—No, it adds to their comfort, and it has not been attended with any increased cost; but rather with a saving to the State.

217. But nothing that really could be taken into account in the course of the year in the men's wages?—No.

218. Then I turn to Sub-head B., in which there appears to have been an increase of 128,046 *l.*, which includes salaries and wages. Are the salaries throughout the Post Office fixed by scale according to service, or on what principle are the salaries fixed?—The salaries are all regulated by the Treasury, and are all upon scale. For every class of officer who is regularly established, that is to say, in the permanent service of the State, the salary is fixed by scale.

219. Would there be any objection to laying that scale of salaries before us in brief?—They are all in the Estimates; every scale is to be found there.

220. Then, with respect to the wages, are those determined according to the principle of seniority of service, or by any system?—There is certainly a very complete system. Is the honourable Member alluding to postmen or clerks?

221. I am alluding to the whole service. Is it regulated by a systematic scale throughout?—Yes, a systematic scale throughout; a minimum, an annual increment, and a maximum; and then each force is divided into classes, junior and senior, or first, second, and third; and promotion is made from one class to another, generally by merit, though tempered by the principle of seniority.

222. Then, with respect to either salaries or wages, has there been any general advance in either scale or rates, during the last five years say?—No. The greatest rise was in 1881 and 1882, when, as I have already stated, Mr. Fawcett introduced, with the concurrence of the Treasury, a very considerable increase of pay to the sorters and telegraphists, and ultimately to the postmen.

223. Am I to take it that there has been no general revision since 1881 in the direction of advance?—Not with regard to those classes as a whole. There have been considerable increases of salaries to other classes of officers. There

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is always a growth with regard to postmasters' salaries, whether they are the regular established officers of the department or those that are known as receivers and sub-postmasters. All those are gradually rising.

224. Of course, I understand individual cases; but I was referring to the principle of seniority, or service. My question is this: whether a man of the same rank in the service and of the same number of years' service, and, in fact, in all respects in a similar position, is obtaining more in this year, 1888, than he did in 1885?—He would be receiving his annual increment.

225. My point is this: Will a man of particular rank in service with particular qualifications be receiving of necessity more in this year, 1888, than a man in all respects similar in rank, &c., would have been receiving in the year 1885?—I think I may say, in general, yes.

226. There has been a general rise?—There has been a general rise.

227. I am afraid I do not understand how that comes about, if there is a rigid scale or system?—Because the Treasury have approved of the introduction of higher scales.

228. Since Mr. Fawcett's step in 1881?—Yes, with regard to postmasters, with regard to rural letter-carriers, and with regard to auxiliary postmen in a considerable number of cases. The salaries in the clerical establishments have not been raised; in such, for instance, as the Secretary's office, the Receiver and Accountant General's office, and the Money Order office. In the Savings Bank Department there was an increase made in respect of the salaries of the female clerks of a small amount; but, as a rule, in the clerical establishments of the Post Office they have not been increased of late years.

229. Then we may take it, may we, that Mr. Fawcett made a general revision in 1881, and that the Treasury in respect of certain classes has been making certain advances since?—The Treasury have approved of certain proposals of the Post Office.

230. The proposals have emanated from the Post Office?—Yes.

231. Turning to the purchase of sites and buildings, the total Vote is 127,000 £, as against 175,000 £.—Yes.

232. You used the expression that these items were specifically allocated to particular places. The question that I wish to ask is this: assuming, for instance, that a sum needed for the site of a new head-office at Leeds, we will say, is not spent, is it within the power of the Post Office to spend that sum on any other particular place, say, at Plaistow or South Tottenham?—The Department can only spend money on sites which have been already sanctioned by the Treasury.

233. My question goes to this: supposing that two sites, we will say for Wandsworth and Barrow-in-Furness, have both been approved by the Treasury, and you do not spend the money at Barrow-in-Furness that has been allocated to it, can you transfer the unexpended balance to Wandsworth?—Yes.

234. That is entirely within the competence of your own Department, is it?—Yes; we can apply whatever money has been sanctioned by the Treasury and has been allowed in the lump by Parliament, to such items as the Treasury has agreed upon.

235. I want to make the point perfectly clear, because it is a very important one. There is 127,000 £. borne upon the Estimates for the year which will expire on 31st March 1889. May I take it from you that Parliament, having sanctioned that 127,000 £. in the first place, and the Treasury having sanctioned the particular places where it shall be spent in the next place, you can really practically distribute that 127,000 £. where you like, always excepting that you must not go off ground that has been allowed by the Treasury?—Yes, subject to Treasury sanction.

236. I say always assuming that they do not go off ground that has received Treasury sanction?—Yes.

237. Do I gather this, then: that you cannot transfer an unexpended sum from Barrow-in-Furness to Wandsworth without going to the Treasury?—In theory, I think we can, but practically we cannot; because we should then have to apply the next year to the Treasury for sanction to spend the money at Barrow-in-Furness which we had not spent; and we should have to justify to them then our having this money in hand still.

238. I do

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238. I do not follow you?—What I mean is, that the Treasury having agreed to the Post Office spending certain amounts within the year, we are practically bound to spend these amounts; if we do not spend them in the exact direction allowed by the Treasury, we should have to justify our not having done so; because the next year we should want the same amounts over again, and the Treasury would say, “Why did you not spend this money in the way we directed?” Our explanation would be that, owing to legal delay or something of that kind, we could not do it. But, as a general rule, the Treasury is kept very carefully informed of all the expenditure that is in progress under this Sub-head; practically, they know exactly how the money is going within the year.

239. You draw a distinction between theory and practice; do I rightly understand you (this is my distinct question) to claim or to say, on the part of the Post Office, that there exists a power to take a sum which may be unexpended in any particular year, from Barrow-in-Furness, and apply to Wandsworth, without going to the Treasury for permission. I am speaking of the theory now?—I should not put it in that way. The Post Office would be in this position: supposing it to be impossible to spend that money in the year at Barrow-in-Furness, it would have that amount in hand out of the gross vote, and it would be able to apply that in any direction among the specified offices, to the extent authorised by the Treasury; but it would not have power to spend a single sixpence more upon Wandsworth than the Treasury had authorised.

240. I quite understand that. I think I have got it clearly from you so far. But we will assume further that the expenditure at Barrow-in-Furness never was required to the extent estimated; you would then have power to apply that, with the sanction of the Treasury, to any other site, but not beyond the estimate; that is the security, you must always keep within the estimate?—Quite so.

241. Was all the 127,000 *l.* last year spent; of course, that would be shown in the Appropriation Accounts?—The Appropriation Accounts are not complete yet.

242. I am asking you now, do you know whether it was all spent?—No, it was not all spent.

243. Then I want to get on the notes what will be done with the balance?—If there is a total saving on the Vote that will be surrendered to the Exchequer. It may be that there will be a saving on that Sub-head, and that the Treasury will authorise its application to other Sub-heads.

244. Now as to Sub-head 1, “Superannuations,” they amounted this year to 149,704 *l.*?—Yes.

245. May I take it that that is beyond the control of your department; that it is guided by the strict rules and regulations?—Yes.

246. We may take it, in fact, that that is an automatic matter?—Exactly.

247. You do not consider yourselves responsible for that sum, do you?—We have no control over it whatever. The Treasury gives the superannuations in accordance with the provisions of the Superannuation Act.

248. I forget when that Act was passed?—In 1859.

249. Then the Act of 1859 governs, so far as the Post Office is concerned, the whole of the superannuation grant?—Yes.

250. Are there no rules and regulations under that Act which are varied from time to time?—No, the general principles regulating the proportion of pension to salary, the period of service, and so on, have been unchanged.

251. For 30 years?—Yes. There are Treasury rules, and some amending Acts have been passed, giving the Treasury a certain power in some directions; but the main principles and provisions remain the same.

252. And the Act of 1859 and the amending Acts, whatever they may be, govern all the departments; they do not apply particularly to your department?—No, they govern the whole of the Civil Service.

253. On page 61 of the Estimates there is this note with respect to this money recovered from savings' banks trustees: “The amount expended under these Votes will be repaid to the Exchequer with other extra receipts”; may I

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take it that whatever be the expenditure on savings' bank buildings, for instance capital outlay, it is recovered?—Yes.

254. There is no charge against the Post Office Department practically in the long run?—Not a farthing.

255. The only other question that I have to ask you is this: can you explain why in this annual report of the Postmaster-General, on page 9, with regard to expenditure, the word "estimated" occurs in the phrase "estimated expenditure," when those figures, as I understand it, are for the year ending the 31st of March 1887, the date under the Postmaster-General's signature is the 29th of August?—That is because the Appropriation Accounts are not made up till the 30th of November; they are not rendered till that date.

256. Mr. Arthur Acland]. With reference to superannuations, that charge is falling, I see; there is a decrease on this year's Estimate. Is that merely an incidental matter?—That is an accident, so to speak.

257. Can you say whether on the whole superannuation is increasing or decreasing?—It is decidedly increasing.

258. And is it bound to go on increasing according to the scale?—It is, and it will in the Post Office, because we are an annually increasing department, and also because we have not yet reached the maximum which will be certainly reached in later years.

259. Has the superannuation any definite relation to the scale of salaries?—Yes; the rate of superannuation provided by the Act is a sixtieth of the salary for each year of service up to a maximum of 40 years; but not commencing until after 10 years have been served.

260. Then, according to Mr. Fawcett's scale of salary, you have not by any means yet reached your maximum, I understand you to say?—I meant that rather to apply to this fact, that we have hardly yet reached the maximum rate of cases of superannuation occurring every year, because the Telegraph Service is comparatively a young service.

261. As I understand it, with reference to salaries, the greater part of them is almost entirely beyond your control to check or to alter in any way?—It is, of course, so far beyond our control, as the rates have been already fixed. There is a constant desire and effort on the part of the Department to keep down the increase of salaries. Every day applications are being received for improved salaries, which are very carefully investigated and checked, and very often refused, if the Postmaster General does not consider it desirable or right to submit them to the Treasury.

262. Then, although you have a fixed scale, you have constant applications in individual instances for an increase on this point or on that?—Yes, and in whole classes.

263. Some of those, if you think right, you submit to the Treasury, and in certain cases the Treasury has given advances?—Yes.

264. By far the greater part of the expenditure on salaries is of course on fixed salaries; I mean a salary which is progressive on a fixed scale?—That is so.

265. Out of the three millions on Votes 3 and 4, only a very small proportion is not according to scale?—Yes; the only salaries which are not on fixed scale are those for the auxiliary letter carriers, and for the unestablished force employed in parcel business.

266. Then I suppose that the main check which you have there and are constantly trying to exercise, is to see that you get good value for your money in each department?—Exactly.

267. That is to say, that adequate work is done by those employed?—Yes, and that we do not pay more than what is ascertained to be the market rate of wages.

268. And with an automatically increasing staff, I suppose, questions of that sort are perpetually coming before you?—Every day.

269. Then has each head of a department a certain control over the number who are to be employed?—He reports if the work of his department, or branch, requires more officers; that report comes to the Secretary, it may be through the head

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head of the particular department in London, or from the surveyor of the district in the country, and is examined in the Secretary's office by the particular branch at the head of which is a principal clerk entrusted with that business; and then, if the Secretary is satisfied that the claim or demand is a proper one, he submits it to the Postmaster General, who approves or refuses it according to his own opinions on the matter; and then ultimately it has to go to the Treasury for approval.

270. Practically all those questions in some form, if they are of any considerable importance, came before you?—Yes, always; that is to say, before me or one of my colleagues. The Financial Secretary generally takes the questions of increase of wages in the country, and decides upon those, subject to the Postmaster General's approval.

271. What sort of check have you by way of inspection upon the Department, supposing that in a department there was a great deal of waste going on, through clerks not being fully employed; how would you meet that?—I never heard of such a case in the Post Office yet.

272. Everything is so efficient that a thing of that sort never has happened; but you have some check, I suppose?—There is the excellent check of the officers who are at the head of those branches, and who discharge their duty to the Postmaster General with great fidelity.

273. Even then it is a matter of more or less adequacy of work, is it not?—We never have an insufficiency of work in the Post Office; we are always behindhand.

274. That is your check, then?—Our work grows at a greater rate than the establishment, as already existing, will absolutely and completely provide for; hence the necessity of overtime and continual augmentations of staff.

275. So that with this increasing work, which is the peculiarity, at present, of the Post Office, you are rather in the direction of being over-worked than under-worked?—Yes; our people are certainly not under-worked.

276. I mean that in that respect the Post Office differs from a good many Government Departments, does it not?—I think it does.

277. I want to ask you one question about the railway companies. Looking at the detailed account on page 94 of the Estimates, how far are these various increases automatic according to the increase of business?—They are in this respect automatic: that when a railway company can make out a case of the carriage of increased weights, or better service rendered, the Postmaster General considers their application for increased remuneration, and negotiates with them in regard to the terms.

278. I notice that one of them is only a small case; the Somerset and Dorset; the amount is doubled; I suppose that is some special case?—In that case a night-mail train has been established between Bath and Bournemouth, and has to be paid for at that rate.

279. Are the arrangements made, some of them, I suppose, are, of an automatic character?—No; they do not grow automatically every year; they are all contracts for fixed sums.

280. *Chairman.*] They are not per weight?—No.

281. *Mr. Arthur Acland.*] They are all contracts lasting for a certain time?—Yes.

282. Then these alterations are merely casual alterations of a minor kind?—Yes.

283. Of course the total amount is not very large?—No; not this year.

284. Have you any information which you could give to the Committee about the prices of carrying mails on the Continent?—Not by rail; the arrangements on the Continent are very different from ours. In Germany, for instance, every railway company is compelled to carry mail matter, if not for nothing, at any rate at very low rates. In France their system is more analogous to ours; but we have never ascertained, because we have not seen the advantage of ascertaining the railway rates there, inasmuch as they could not affect our negotiations with the companies here.

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285. You have not been able to effect a comparison of any value?—We have never tried to do so.

286. *Mr. Henniker Heaton.*] I will first touch upon the point of superannuation allowances, before going into the general matter. I notice, on page 99 of the Estimates, a list of superannuation allowances; if you will turn to that you will see that there are no details, I think, of the Secretaries' names and the periods for which they have been received?—There are no details on page 99, but from page 101 are given the details of all the allowances granted in the last year; and that information is given every year.

287. For one year only?—Yes; after that they are included in the lump sum. On page 99 you will see all the particulars.

288. For one year have they increased to this large extent; for one year what is the amount of fresh allowances for superannuation?—The net increase is 3,158 *l.*

289. What is the total for one year of new men that came on the new allowance for superannuation?—12,562 *l.*

290. That is, the new charges?—Yes; and 9,403 *l.* have ceased.

291. There are two Secretaries as well; were they occupying the same positions as you did?—No; one was the Secretary and the other was the Third Secretary.

292. They are receiving 2,970 *l.*; their names are not given; but they have been given, have they?—Sir John Tilley and Mr. Frederic Hill.

293. Then there is the Assistant Secretary, 1,100 *l.* a year; has he been receiving that for some considerable time?—He retired in 1880.

294. Now, I would like to turn to the general question of these Estimates. You are aware, are you not, that it has been stated in the House of Commons that the profit from the Post Office is a decreasing one?—That has been stated.

295. Is that strictly correct?—According to the manner in which the accounts of the Department are required to be kept it is correct. There has of late been a gradually decreasing net profit according to the accounts; but I should like to say that there are other ways of presenting an account which would exhibit a somewhat different result. For instance, if capital charges were debited to a Capital Account, or treated as chargeable in the same way that an account called the Commercial Account has been compiled for some years of the telegraph business, where all charges of a strictly capital character are supposed to be treated in the way in which a commercial company would treat them. There a very different result is shown. That is because of the manner in which the accounts are presented to Parliament. When an item of 400,000 *l.* or 500,000 *l.* is charged against the Vote for Purchase of Sites or Buildings, Extension of System, and such like, if that is charged against the income of the year it naturally brings out the result of a decreasing net revenue; whereas all the time the revenue may be really increasing.

296. Therefore, from a business point of view, it is not correct to say that it is a decreasing revenue; it is an increasing revenue, is it not?—We have never prepared those accounts in that way, and therefore I am not ready to say what the actual result would be; but I do not think that it would be the same as has been alleged.

297. Would you have prepared, by the time of the next meeting, a statement of the expenditure on sites and public buildings during the last 10 years; the amounts expended for purchase of sites and buildings by the Post Office?—Yes, that could be done. There is a Return which has been prepared under the directions of the Treasury bringing out very much what the honourable Member suggests. It is Return No. V. of the documents which, I think, have been circulated. There the purchase of sites is deducted, and the extra receipts payable to the Exchequer of the net expenditure brought out, and the net revenue; and the percentage of net expenditure to revenue is seen to be, at the commencement of the period of some 15 years, 62 per cent.; and in the estimated expenditure for next year, or rather, we will take the expenditure for the year just closed, it is 64 per cent.; that is a very small difference.

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298. Can you state the net revenue for the years 1880-81 and 1887-88?—There is an increase of 7 per cent.

299. Is there a diminishing profit or an increasing profit?—There is a decreasing profit there. The honourable Member has taken a year with a very low percentage of net expenditure to revenue, as against the latest but one, which was rather high.

300. I will take 1886-87, then?—That is about the same. I did not mean to imply, by my answer to the previous question, that accounts prepared in the way I have mentioned would show that there was no decrease of net revenue in proportion to expenditure, but that rather different results would be shown from what the honourable Member alleged had been stated. And this Return has to be modified, I think, by the consideration of two facts. In the first place, there is that one to which I have already alluded: that every year an increasing expenditure is shown to be incurred for Savings Banks which is not repaid to the Post Office revenue; therefore we are charged with an annually increasing cost, and we do not get any credit for the annually increasing revenue, although the money actually goes back into the Exchequer, but not through our hands. In the next place, there is a very large item which, in the course of previous years, has been transferred from another Vote to the Post Office Vote, as shown by the fact that in 1883-84 the cost of the manufacture of stamps, amounting to 135,000 £, was charged to the Post Office Vote; there is an increase of expenditure.

301. Noticing that, would you prepare, or would it be possible for your office to prepare, by the next meeting of the Committee, a business statement of Post Office receipts and expenditure, exclusive of sites; a statement such as a business man may wish to have as to the growth of the Post Office, so that we may see whether the statement is true that this monopoly of the Post Office, which ought to be a paying one, is a paying or a losing affair?—The honourable Member is aware that it is a very paying thing. The Post Office monopoly is very lucrative to the State.

302. I find that you increase at the rate of about 200,000 £. a year, net receipts; that is so, is it not?—I think the honourable Member means gross Exchequer receipts.

303. I mean gross receipts. Post Office increase is net receipts?—That would be at about the rate of 200,000 £. a year.

304. It has been stated in the House of Commons that the profits arise chiefly from the penny postage in this country; have you ever compared or taken a rough estimate of the receipts of the postage from letters and receipts of postage from all other matter, exclusive of the parcels post?—Yes, I think we have; that is to say, we can estimate that.

305. The amount passing through the Post Office, that is to say?—Yes.

306. Do you think that you could furnish the Committee with a rough estimate (we would not expect it very correct) of the amount and value of letters, and the amount and value of other matter than letters?—We could distinguish the estimated amount of receipts from letters from the estimated amount of receipts from other postal matter.

307. You have been good enough to furnish me with the amount of mail matter which you send to America, including letters and other than letters, for one or two years; in fact, you pay now so much a lb. I find by that Return that just about half as much is received from other than mail matter as from letters in the absolute receipts. If you could furnish a similar Return in regard to England, it would enable us to test that statement as to where the profits of the Post Office come from, and whether the 3,000,000 £. revenue profit arises from the penny postage or not?—Yes.

308. In regard to the mails you send out of England every night, are you aware whether they pay you or not; whether you get any profit, and, if so, and to what extent upon the mails to France and to the Continent generally?—Does the honourable Member mean the Continental, and Indian, and Australian mails?

309. The Continental, without the rest?—I am not in a position to say off-hand whether that is remunerative or not; I could not give an answer to that.

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310. Have you any notion of the receipts from Continental mails?—Yes, I think so; we could roughly estimate it; we keep no accounts of the foreign letters.

311. Would you furnish the Committee with a rough estimate?—Yes.

312. You are aware that you give an estimate of the American mails?—Yes.

313. In fact, you pay for them by the lb.; and in the same way you have an estimate for the Australian mails (in fact, it is furnished by the Government), of the number of letters, and other matter, received and dispatched?—Yes.

314. Of the Indian Service, in the same way, have you any notion of the quantity of mail matter which you dispatch to India?—Yes, a rough notion; so many tons.

315. You have no Parliamentary control, I understand, over the railway companies, inasmuch as you cannot fix any rates you like for carrying letters on railways?—No.

316. Is there much difference in the charges by the various railway companies in England; is it very varying?—It is very varying.

317. You say that you have an arbitration now pending, because you are so dissatisfied with some charges?—We have one pending.

318. Mr. *Richard Chamberlain*.] You spoke of the automatic increase of pay, and by “automatic” we understand something over which you have no control. How is it that that should be an increased charge upon the service, seeing that an automatic increase, I understand to be, that you pay a man 100*l.* a year, rising by annual or other increments to 130*l.*, we will say; now, if he were the only man, there would be an automatic increase on the general charge; but as you have some hundreds of thousands of men, for one man that is being increased another one at the highest rate is superannuated or dies, and the new man comes in at the lower rate; I should have thought, therefore, that the increase and decrease would balance one another, and would average in that case 115*l.* a year from year to year; would not that be so?—It would be so if the business of the Department were stationary; but as it is increasing every year, the number of those who drop off and retire is less than the number of those who are brought on.

319. Then the cost of the service appears to be increasing. I see that the general revenue in the 10 years has increased by 35 per cent., and that the general expenditure in the 10 years has increased by 59 per cent.?—Which return is the honourable Member referring to?

320. What I want to come to is this: that on general returns like that it is somewhat confusing, because it is complicated by other considerations, but I want to see whether the real cost of the service is increasing or otherwise. Have you any return of the cost per million letters, or any return of that kind by quantity?—No.

321. All of our comparisons are comparisons of expenditure to revenue?—Yes.

322. But the actual cost per million letters you cannot give us?—No; we have never taken the accounts in that form.

323. Mr. *John Ellis*.] It is not cost for work done?—No.

324. Mr. *Richard Chamberlain*.] You can tell me this, perhaps; would the gross receipts represent the amount of work done, letters carried; you see that if you carry one letter for a penny, and two letters for twopence, the twopence represents the increase; you have done double the amount of work; the receipts in 10 years have grown from 6,800,000*l.* to 9,100,000*l.*; does that represent approximately the increase in the number of letters carried, or is that complicated by alterations in the tariff?—That would be one factor in the calculation. But rates have been altered in the meantime; new classes of matter have been introduced at altogether new rates; the cost of the service generally has increased, owing to the causes that have been already referred to, such as increases of salaries.

325. I am talking now of the receipts, the income; are you as well paid for your

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your work now as you were 10 years ago; I mean is the money paid for the carriage of an average letter as high as it was 10 years ago?—I am not prepared to say off-hand. I should rather think the tendency was to decrease, because of the increasing use that is made of the circular post, halfpenny post, halfpenny cards, and articles of that kind; they have brought down the average profit, I should think, on the individual item. That is my impression, but I should not like to say that that is an absolute fact.

326. It is rather difficult, therefore, to compare expenditure, or to take the ratio of expenditure to income as any test of economy of the management of the Post Office?—It is quite fallacious I think.

327. And I gather that you are of opinion that the Post Office is more expensively managed than it was, say 10 years ago?—No doubt, owing to increases in wages, improvements of the position of officers generally, and to the general demands for more convenience, greater speed, and increased facilities everywhere. There is immense pressure on the Department constantly being exercised, to give more facilities and greater convenience. And that is not confined to the general public. I had a list taken out the other day of the character of the questions in the House of Commons during last Session and the period that has elapsed of this Session, and I find that there were 129 questions to the Postmaster General from Members, every one of them tending to increase of expenditure on the part of the Post Office.

328. Apart from that you have no reason, I understand, to find fault with the officials for any extravagance in their management?—No, I believe that the Post Office is as economically administered a Department as exists in the State.

329. That is not quite an answer to my question, because the other Departments may be very badly managed. You think that the Department is not more wastefully, or is as economically managed now as it was ten years ago, subject to these demands being forced upon you by the public?—I should say that it was even more economically managed with regard to the scrutiny and examination, and control over expenditure.

330. Then, with reference to some questions that were asked as to overtime, will you say whether it is possible in such work as that of the Post Office to cover the extra work entirely by extra hands at the time of great pressure, Christmas and New Year's Day, and so on?—Well, the work is done.

331. I mean without overtime on the part of those employed?—No; it would be quite impossible to do it without overtime at such times.

332. Then, with regard to superannuation, I want to ask you a question that is hardly within your Department. There comes up an annual charge for superannuation. In all concerns that I have had to do with the superannuation is generally arranged by a deduction of something from the salary, and a contribution on the part of the employers, which is carried to a fund kept apart altogether from the income or receipts of the year as a commercial concern, and that fund is drawn upon in order to pay the superannuation when it is required. Do you see any objection to putting your superannuation in that form? Of course it would be no loss of salary to the official employed. Supposing, for instance, which is common enough, that you made a deduction of $2\frac{1}{2}$ per cent. from the salary, and the Post Office made a contribution of $2\frac{1}{2}$ per cent., then, in the case of a man who is being paid 100 £, if you were going to make a deduction of $2\frac{1}{2}$ per cent., you would have to make his salary 102 £. 10 s., and deduct the 2 £. 10 s. for that purpose; and by making your arrangements in that manner (which would be a matter to be arranged by an actuary, of course) you would not interfere in any way with your annual income and expenditure; do you see any difficulty in such an arrangement?—I suppose the honourable Member is aware that the system of deductions to meet superannuation charges existed prior to 1859?

333. No, I was not aware of that?—Then Lord Naas, as he was then (afterwards Lord Mayo), brought in a Bill to repeal that system, and the present Superannuation Act was subsequently passed.

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334. Mr. *Brunner*.] Did he do that as Postmaster General?—No; he was a private Member. That applied to the whole of the Civil Service. That system has been regarded as obsolete; but I may say that I am aware that the Royal Commission on Civil Service Establishments is considering that question at the present moment; it is considering, at any rate, the question of superannuation allowances.

335. Mr. *Richard Chamberlain*.] Have you any objection to expressing an opinion of your preference one way or the other?—I have no fault to find with the working of the present system, except that it is calculated to raise a certain amount of opposition from the public, who think that the servants of the Crown are in the enjoyment of very large pensions; I mean to say that the tendency on the part of the public is to grumble at a heavy non-effective charge, which is very natural; and if a system could be devised whereby the servants of the State were placed in no worse position as regards their prospects when they retire, and the charge had not to be voted by Parliament, I think it would be advantageous.

336. Mr. *Jackson*.] I will just ask you one or two questions with reference to answers that have been given on the question of Extra Receipts. This year, for the first time I think, the receipts on account of the Packet Service, or the estimated receipts, have been treated as an Appropriation-in-Aid?—Yes.

337. But that has been done rather because the circumstances were exceptional, has it not?—No doubt that arose out of exceptional circumstances, such as new contracts and arrangements with the Australian Colonies.

338. And I rather gathered that, in your opinion, that system is the correct one?—I think so.

339. That is to say, dealing with the extra receipts as an Appropriation-in-Aid?—Yes.

340. Because otherwise the gross expenditure is swollen beyond what the actual figures represent?—Yes.

341. And the gross rentals are also swollen beyond what the actual figures represent when treated as an extra receipt?—That is one great objection, I think.

342. There has been no proposal made by the Post Office to the Treasury, I think, for dealing with the extra receipts from the Savings Bank Department, in a like manner?—No.

343. Perhaps you will explain what the item which is included in the extra receipts as being received from the Savings Banks is for?—The sums which are classed as Extra Receipts consist of the whole of the expenditure incurred on behalf of the Savings Banks, whether salaries or buildings, or proportion of purchase of sites, or anything else, and which are chargeable by Act upon the funds of the Savings Banks, and, therefore, are repaid to the Exchequer.

344. And in fact it is necessary that they should be dealt with separately, so as to keep separate accounts of the working of the Savings Banks, and of the Post Office?—That is so.

345. You were asked several questions about the rates of pay, and generally your answers, I think, led the Committee to the conclusion that the rates of pay were not only laid down by the Treasury, but regulated by the Treasury, because I think you used both those expressions. I want merely to make this point clear: the control which is exercised by the Treasury takes the form, does it not, of a control under which the Post Office cannot increase a salary, nor can it increase the number of its officers, without Treasury sanction?—That is so.

346. There are no rates of pay laid down by the Treasury, nor is there any regulation of the salaries of the Post Office officials by the Treasury in any other sense than that; or in other words, the Treasury have no power, nor do they seek to exercise any power, either as to the reduction of pay, or as to the regulation of pay, in that sense; that is the case, is it not?—That is precisely the case.

347. The Treasury action in fact comes into operation only on the application of the Post Office?—Yes.

348. There is nothing, of course, in the Treasury control, which would prevent you, on behalf of the Post Office, from diminishing the number of men or
diminishing

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diminishing the payment, if you thought it necessary or desirable to do so?—Certainly not; the Postmaster General would consider it his duty to do so if he were able.

349. You spoke about the automatic increments of pay, and the increase which has taken place owing to an alteration that was made in 1881; could you state to the Committee approximately any figures which would give them some idea as to the increased cost in salaries and wages due to the alterations then made?—The higher rates of pay brought in when Mr. Fawcett was Postmaster General for the Sorting and Telegraph Force in 1881 resulted in a cost, at the mean of the scales of the then number of officers, of about 210,000 *l.* a year, and to the town postmen in 1882 in a cost at the mean of the scales of the then number of officers of about 110,000 *l.* a year; and in a lesser degree to the rural postmen generally since 1881.

350. You have given us the estimated increase of pay in the aggregate amount of pay on the then staff; could you give us approximately what that would amount to on the now existing staff?—I cannot give it now; it may perhaps be worked out.

351. Perhaps you will put that in to supplement what you have said?—Yes. In regard to the payment of overtime to the Sorting and Telegraph Staff for their work in excess of eight hours on week-days, and two hours on Sundays, which was introduced in 1881, and for their work done on Christmas Day and on Good Friday, and for the reduction in the amount of work imposed on town postmen which is now fixed at about eight hours a day, I have not got the amount of that; but that was a very large item.

352. Could you give the amount of that with the others?—I am afraid we could not ear-mark that. I may mention another cause of increase, viz., the grant of an annual holiday to all classes of the established staff which had not an annual holiday before, and the increase in the length of the holidays granted to a large class of the Sorting and Telegraph Staff; and again, the increase in the rates of pay at Sub-Post Offices and Town Receiving Offices, the minimum pay having been raised in every case from a little over 3 *l.* a year to 5 *l.* a year.

353. Have you any aggregate figures representing these items?—No, I have none at hand; I could give some of them perhaps.

354. Perhaps you would have a table prepared with which you could supply the Committee, specifying so far as you can, the increase which has been due to the changes then made under the several heads which you have mentioned?—Yes, as far as possible.

355. And worked out on the existing staff?—Yes.

356. And I think I gather from you that you think that the mean cost has not yet been reached?—No, I believe it has not.

357. Can you form any approximately accurate idea as to when the mean will be reached, or the amount which will still have to be added before it is reached?—I am afraid that that would be very loose. With establishments which are constantly varying, though always in the direction of increase, it would be almost impossible to calculate exactly the mean of a particular establishment which has been much altered since the rate of salary was established.

358. I will just ask you one question on the subject of overtime, which I think has perhaps been made pretty clear already; but the question I want to put is whether it would be possible to avoid overtime altogether?—No, it would not.

359. And although you might supply a return of the number of hours of overtime which had been worked in the year, the work of overtime is, as I understand at special times and for short periods, and could not be met by an increase of staff?—It could only be met by having an increase of staff in excess of the actual demands of the business.

360. The fact is, is it not, that you work, as far as you can, with your permanent staff to meet the minimum requirements, and supplement that either by overtime or by additional men called in to meet the special occasions, to meet the maximum?—Yes, that may be taken as the general fact.

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361. And that there is not what may be called systematic working of overtime throughout the service generally?—Except in the Savings Bank, where, as I said, at a particular period of the year it is a necessity, and must be performed by the established staff; you cannot get in untrained hands to do that work.

362. But that, I take it, does not last all the year round?—No; it lasts six weeks or something like that.

363. What I want to make clear is, that the Post Office does not employ its officers and servants on overtime as part of a regular system, but only to meet special stress of work?—Quite so; each successive Postmaster General has discouraged the practice of employing men on overtime; it is prejudicial to the staff and prejudicial to the work.

364. And you avoid working overtime so far as you can, within limits of reasonable efficiency and economy?—Always.

365. You said, in answer to an honourable Member, that the increase in the Postal Order business more than pays its own expenses?—I believe that is the case.

366. Do you believe that that answer would hold with regard to all other business which has been undertaken by the Post Office?—No.

367. For instance?—The Parcel Post work I do not think will be found to produce the same results.

368. Do you think that the Parcel Post does not pay at present?—If it does, it hardly does, I expect; but we cannot accurately ascertain that, because, as the honourable Member is aware, the expenditure is mixed up with the general expenditure. It may be a question also with regard to the Telegraphs, whether increase of business will produce increase of revenue in subsequent years. I should also say that we are aware that we make no profit upon our halfpenny business; that is to say, upon matter carried for a halfpenny; it is believed that we do not upon post cards, and certainly we do not upon newspapers; that is a distinct cause of loss. Therefore, increase of revenue from newspaper carriage will never bring an increase of net revenue to the Post Office.

369. May we take it generally that in your opinion all the postal matter which is carried for one halfpenny is carried at a loss?—I think, speaking generally, that is so.

370. You spoke about something in the direction of a reduction in the rates of postage; but there has been no reduction, has there? Let me take one instance to begin with. So far as the penny post is concerned, which my honourable friend has referred to, there has been no alteration, has there, in the limit of weight, or in the rate charged during the last seven years?—Not in the last seven years with regard to the penny letter; but an alteration was made with regard to the rates for higher amounts than the ounce. As the honourable Member will remember, the weights advanced by very large proportionate amounts; those have been diminished, and differential rates, ascending more gradually, have been introduced.

371. It is suggested that you would put in a statement showing what changes in the rates have been made which have led to a loss of revenue?—I do not think that any changes in the rates have led to a net loss of revenue.

372. What was the date for instance of the substitution of the halfpenny for the circular?—One thousand eight hundred and seventy-one.

373. It has been suggested that I should ask you what is the profit on each penny letter?—I am unable to answer that question.

374. *Chairman*]. Will you put in a statement of the changes in the charges which have been made within the last 20 years, with the dates of these changes?—Yes.

375. *Mr. Jackson*]. I want to ask you a question about the preparation of the Estimates. You have been asked a question about the sites, and about the power which is exercised by the Treasury of authorising the expenditure, on say a site which was not included in the Estimate, to be met out of savings, and some provision which has been made in the Estimate for some other site. I will

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will say frankly that my reason for asking this question is that the present system was rather unfavourably criticised in the House of Commons when the Estimates were on; it was described as being unbusinesslike, and many other more or less appropriate names were attached to it. I want you to say from your great experience whether it would be possible, without injury to the service of the Post Office, and without largely increasing the provision to be made in the Estimates, to strictly limit the application of money voted by Parliament to the specific purposes for which it was mentioned in the Estimate?—I should think that it would certainly be the reverse of businesslike, if economy be the object, to adopt such a plan as that. For one thing, you must then exactly specify the amounts applicable to each place, with the disadvantage, as I before said, of mentioning your price or the price which the State was prepared to give for particular sites to the people who were going to sell them, or were likely to sell them. That would be one very great disadvantage. I think that the power which the Treasury now has of authorising the Postmaster General to spend the money voted for the service of the year, as the interests of the service most unquestionably require, is an extremely advantageous, economical, and efficient system. I cannot conceive of its being improved upon by requiring a more exclusive authority from Parliament than is at present given.

376. And is it not the fact that it would be impossible, taking the Vote for Sites as an example, to specify exactly the amount that was to be expended on that site until a contract had been made for it?—That would be so. The amount inserted in the Estimates is altogether an estimate; it has been decided upon because we know at the Post Office that a post office will be required there in the course of the year; it is necessary to get a site, and we ask the Treasury for authority to proceed; but we have no means of knowing the exact amount; that would be impossible.

377. In fact, it is a great advantage from an economical point of view; first, that you should have time to negotiate, and, secondly, that you should not be compelled to buy a particular site, but that you may have the opportunity of rubbing two sellers, or two possible sellers, together?—It has that very great additional advantage.

378. And that would be impossible if you were limited to sites which should be specified, and the amounts for which should not be expended (if it were found impossible to buy a particular site) upon another site which had not then been in contemplation?—Quite so.

379. Therefore you think that the present system is not only not unbusinesslike, but that any other system would lead to larger margins being required, because you would have to provide for a maximum expenditure, and not for what proves to be the average expenditure?—Yes.

380. And that any other system would lead to the necessity for much larger margins, and would in all probability lead to much more extravagant expenditure?—It would; it would lead to a larger expenditure in the result, and would necessitate a larger amount being inserted in the Estimates, and being voted by Parliament.

381. With regard to the purchase of sites, the actual conduct of the negotiation is performed by the office of the Office of Works, is it not?—Yes.

382. The buildings, the plans and contract, and superintendence of them, are also under the Office of Works?—They are.

383. But the Vote for Sites is carried on the Post Office Estimates?—Yes.

384. The Vote for Buildings is carried on the Office of Works Estimate?—Yes.

385. Mr. *Raikes*.] To make it plain, as a matter of fact the Post Office makes the contract for the purchase of the sites; they bring the Bills into the House?—Yes, we do; but the Office of Works acts as our intermediary and agent, so to speak, with the vendors.

386. Mr. *Jackson*.] But, just on that point, is there any difference between the relative position of the Treasury and the Post Office as regards sites or buildings; o.76.

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buildings; do not all the applications, whether for sites or buildings, come from the Post Office to the Treasury?—Always.

387. And back through the Post Office to the Office of Works?—Yes. I believe that the reason for the distinction in practice is that by his patent the Postmaster General is constituted the holder of the Post Office property, and therefore it is on the Post Office Vote that the charge is thrown for the purchase.

388. For sites?—Yes.

389. Mr. Brunner.] I understand that there is a distinction, then, between sites and buildings?—There is a distinction between the purchase of sites and the erection of buildings in respect to the Vote for which they are charged, that is all.

390. Is this a system which you approve of, this going through the two offices?—I think it works very well, subject to what I mentioned at the commencement of my examination with regard to the execution of works by the Post Office or the Office of Works.

391. Mr. Henniker Heaton.] Are you aware that a calculation has been made that the eighth of a penny is the cost of the ordinary letters delivered in the United Kingdom?—I was not aware of that.

392. You implied that you thought there was a loss on the halfpenny circulars; have you ever thought of the profits of the penny newspapers, what they give to the agents for delivery; are you aware that they give the agents less than a farthing a copy for delivering the papers?—I am not aware of the arrangements.

393. You are not aware that they give one farthing to the agents, who take the loss, and have to collect the whole of the money?—I have no knowledge of the circumstances.

394. Mr. Jackson.] On that point, supposing that the penny postage were reduced to a halfpenny, there probably would not be much profit on the Revenue Account, would there?—There would be a distinct loss, I believe.

395. Chairman.] Then I understand that in your view the penny letter is a real source of annual profit to the Post Office?—There is no doubt about that.

396. But there is a considerable loss, taking it on the whole, on the transmission of newspapers?—Yes.

397. And there is a loss on all your halfpenny business?—I believe there is.

398. What is your opinion with regard to the Parcels Post?—There we may be probably approaching equilibrium; but as the expenditure is amalgamated with the general expenditure of the Post Office, we are not in a position to say whether such is absolutely the case or not.

399. And these opinions of yours refer to the Inland Post?—Yes.

400. To what extent, could you at all shortly intimate to us, do you look upon our foreign post office service as a profitable service?—I think I have already answered a question under that head; that we have no means of absolutely knowing, inasmuch as the system of the International Postal Union is to abolish all accounts of foreign matter; we can merely make estimates, which are very loose, of the number of articles sent.

401. Would it be possible to give us an opinion or estimate upon the subject?—I can see.

402. Will you consider that?—Yes.

403. With respect to the increase of salaries at the time when Mr. Fawcett was Postmaster General, I presume that those recommendations of his were founded upon recommendations addressed to him by the Department?—I can hardly say that they were. Mr. Fawcett held very strong views himself as to the propriety of making an increase to the pay of the lower ranks of the Department, and he carried out that arrangement.

404. But the Department, I take for granted, was not excluded from expressing an opinion upon the subject?—Certainly not. I became Secretary at the time when Mr. Fawcett became Postmaster General. I never should have initiated

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initiated such a movement myself, but I saw great force in many of the reasons which Mr. Fawcett urged in favour of such an increase; and, at any rate, the Department, as represented by me, saw no reason to raise a serious opposition, if it were at liberty to do so, to the Postmaster General's views and determinations.

405. I presume that you were consulted upon the particulars?—Yes.

406. And, of course, those proposals of the Postmaster General of necessity had the approval of the Treasury?—Yes.

407. You said that railway rates for the carriage of letters were very varying; have you anything to say to us upon that subject, as to what are the main causes of the variation of those rates; are they reasonable or accidental?—They depend very much upon the nature of the service rendered, the times when the trains are run whether at seasonable or unseasonable hours, and a variety of circumstances affecting the particular situation of each railway. On one railway, I think, for instance, the Highland Railway, we pay much higher rates than we do on some other railways; the rates vary very considerably, and in each case the difference is affected by a number of considerations which have to be taken into account; and so far as the Department can form an opinion as to their propriety or not, it does so.

408. Then the rates to which the Department has acceded, which have been accepted, are rates which, after taking all the circumstances into consideration, it considers fair and reasonable?—Yes. It has sometimes had to agree to terms which it considers certainly very high, but which it was rather inclined to accept than to go to the expense and trouble and uncertain results of arbitration.

409. You do not always make an equally good bargain; that is what it comes to?—That is so.

410. Mr. Brunner.] Is the carriage of mails by railway much cheaper in England than in other countries; can you give us any other information?—I think some questions were asked about that, and I said that we have no information about the rates in other countries. The circumstances are altogether different. In Germany for instance, the railway companies are compelled by the State to carry postal matter for low rates.

411. Do I rightly understand that you have no information upon the subject?—We have no particular information.

412. Is it not worth while that the Department should have that information?—I think it would be quite useless to get it; it would not affect our arrangements with English railway companies, and could form no guide to us, being under entirely different circumstances.

413. Chairman] I want to bring you back for a moment to the question that was raised as to the loss of time and friction between your Department and the Office of Works in regard to the small repairs and the supply of some articles of furniture. I think you admitted that if the Post Office itself were to take out of the hands of the Office of Works the smaller works of repair and some portion of the supply of the furniture of the Department, it would involve to a certain extent an addition to your staff, without equivalently reducing the staff of the Office of Works?—I am not sure that it would involve a very serious addition to our staff. We have a number of officers who are well qualified to supervise and to carry out such minor matters; technical officers.

414. But, so far as your expressed opinion was concerned, you limited it to rather small cases, cases of small expenditure?—I did.

415. Does it occur to you that the best practical way of dealing with it would be by an understanding between the two Departments, without any transference of powers of action; for instance, an understanding between the Departments, as to such items for repairs and furniture, that the requisitions of the General Post Office should be accepted as a matter of course in respect to items under certain values, and within a certain total amount, as a tentative arrangement?—I think that if the Post Office alone were concerned that might not work badly; but it must be remembered that the Office of Works discharges the same functions for other Government departments, and that they would have to be carrying out a separate and different practice with regard to one department from that which they carried out with others; and that might be inconvenient to their officers.

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416. Would not the same objection apply to your own proposal of taking entirely out of their hands the conduct of this business within certain limits?—No; because then they would have no responsibility at all.

417. Then they might have applications from other Departments to deal with them in the same way?—I do not think that that would necessarily follow.

418. Let me just put it in this way: Do not you think that between two business departments (they are both business departments) it would be a sensible arrangement, in order to avoid unnecessary correspondence about trifling matters, which is not only irritating but not very creditable, for the heads of Departments to come to an understanding that they would try an arrangement of that kind within a certain total amount and under certain particular values. Do you see any objection to a tentative arrangement of that kind with the object of avoiding friction?—It might be tried. I may say that the permanent heads of Departments, both in the Post Office and in the Office of Works, have always endeavoured to avoid friction of the kind; but that it is a very difficult thing to obviate entirely, and for this reason: we will say that the instructions of the Office of Works to their officers in the country are, "Keep down expenditure; object, wherever you can, to everything that seems to you unnecessary." Their officers carry these instructions out, and when something is asked for, they report to head-quarters that, in their opinion, it is unnecessary. They are only performing their duties; and for the Office of Works to check them in their economical zeal, and to at once concede the demands of the Department which is applying for the thing, would act prejudicially upon the general conduct of their business by their subordinates; I do not see well how they could carry that out practically.

419. Do not you think that between two independent business firms in similar relationships an arrangement of that kind would be come to?—I cannot quite conceive of an analogous condition of things in commerce.

420. I will put it in this way: would it not be worth while to consider whether by some undertaking of that kind the relations cannot be eased with respect to those minor but sometimes irritating matters; will you not address yourself to the subject?—It is well worth consideration, and I am not anxious to make too much of it at all. Our relations with the Office of Works are generally of the most harmonious kind, and everything is done to oblige the Post Office that can be conceived. These incidents of disagreement are not so very common; they occur, but they are not an everyday thing.

421. Mr. Baumann has asked you with regard to the terms, the length of hours of overtime, and the per-centage of sick absentees; he has been obliged to leave the Committee, but he has asked me to put some questions to you in this shape; whether you could furnish the Committee with (1) the length of the hours in the different Departments of the General Post Office; (2) the number of hours of overtime worked in the year; (3) the amount of wages paid for overtime; and (4) the per-centage of sick absentees in the year, and the increased expenditure consequent thereon. Could you furnish that information for the Committee?—Is this meant to apply all over the country?

422. Mr. Baumann's questions were questions referring to London, I think you may take it so?—Only some of those items could be furnished; the length of hours in the different Departments could be given; the number of hours of overtime worked in the year could not be given except at very great expenditure of labour, and a not inconsiderable expenditure of money, too, because all the vouchers would have to be obtained from the Audit Office for the whole year, and very exhaustively examined, and then with a very uncertain result. The same remark would apply to the amount of wages paid for overtime. The per-centage of sick absentees in the year could be given, but not the increased expenditure consequent thereon; it would be almost impossible to extract that.

423. Could you not give the overtime wages; are they not carried to a separate head?—No; they are paid at the end of the week or at the end of the month on the salary list, and mixed up.

424. They are not carried to an overtime account?—No, they are carefully examined,

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[Continued.]

examined, and only that is paid which is absolutely due; but they are not entered into different columns.

425. Mr. *Raikes*.] I am desirous to ask you one further question arising out of the Chairman's examination on the questions with regard to the Office of Works and the Post Office; I think an impression might be produced by some expressions that have fallen from you that it was rather the function of the Office of Works to exercise an economical supervision over the departments of the Post Office. I do not suppose that it was entirely intended by you to convey that impression; but, at all events, it might be conveyed generally. I wish, therefore, to ask you whether you are not acquainted with instances in which the Postmaster General has sent back calculations proposed to him by the Office of Works for re-consideration with regard to the largeness of the sum proposed by the Office of Works?—I believe that that is the case.

426. Mr. *Henniker Heaton*.] I notice the large payments for France and Italy for the conveyance of mails across the Continent in 1879 of 67,000 £, and in 1886 of 97,000 £. Where does that appear in the Estimates, and have we an opportunity of discussing it in the House?—It does not appear in the Estimates at all; I thought that that information was given to the honourable Member in my answers. It is a deduction from the gross revenue precisely as a number of other charges are deducted from the revenue on its way to the Exchequer.

Friday, 20th April 1888.

MEMBERS PRESENT:

Mr. Arthur Acland.
Mr. Preston Brace.
Mr. Brunner.
Mr. Richard Chamberlain.
Mr. Dixon-Hartland.
Mr. John Ellis.
Mr. Hankey.
Mr. Henniker Heaton.

Mr. Heneage.
Mr. Jackson.
Mr. Mowbray.
Mr. J. F. K. O'Brien.
Mr. David Plunket.
Mr. Raikes.
Mr. Stansfeld.

THE RIGHT HON. JAMES STANSFELD, IN THE CHAIR.

SIR STEVENSON ARTHUR BLACKWOOD, K.C.B., re-called; and further Examined.

427. *Mr. Henniker Heaton.*] I WANT to ask you a question about the contract with France and Italy. In a letter which I addressed to the Postmaster General last year, the following statement occurs: "There is another branch of the existing arrangements not necessarily involved in the penny postal scheme, but too glaringly unjust to be passed over; I refer to the contract for the Transcontinental Service. For the transport of mails from New York to Francisco, a distance of 3,000 miles, *en route* for Australia, we pay $\frac{1}{2}$ *d.* per letter. For their transport from London to Brindisi, 1,200 miles, we pay $1\frac{1}{2}$ *d.* per letter. The character of the bargain made with France and Italy is further shown by the facts I elicited from the Postmaster General in the House of Commons on Friday night. The arrangement commenced in 1879, and the following have been our annual payments to France and Italy in each year from that time to the present: In 1879 you paid them 67,224 *l.*; in 1880 you paid them 74,870 *l.*; in 1881 you paid them 78,689 *l.*; in 1882 you paid them 80,503 *l.*; in 1883 you paid them 82,839 *l.*; in 1884 you paid them 93,225 *l.*; in 1885 you paid them 93,190 *l.*; in 1886 you paid them 97,884 *l.*; showing, in the seven years, a total increase of 30,600 *l.*, although the expense to France and Italy has practically remained the same all through;" and last year you paid them a little over 100,000 *l.* I would like to know why the amounts paid under that contract made with France and Italy have never appeared in the Estimates, as the continuation of the service (that is to say, the carrying of the mails from Brindisi to the Eastern Ports and to Australia) is submitted to Parliament for approval?—The amounts payable to foreign countries for transit rates, whether by land or sea, are treated as deductions from our gross revenue, and not as payments chargeable against the Votes of Parliament. The reason for that method of payment is that this contract is the subject of treaties, and our arrangements with foreign countries are not properly subjects for the consideration of the House of Commons; therefore such amounts must be treated as deductions from gross revenue.

428. The contracts were made by the permanent officials of the Post Office, were they not?—By the Postmaster General, with the sanction of the Treasury.

429. Had those payments anything to do with the Postal Union?—Yes; each country can charge each other country certain rates for the services it performs for that country by sea or by land.

430. Are

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[Continued.]

430. Are you aware that considerable complaints were made against this high charge of $1\frac{1}{2}d.$ per letter for transit of letters across the Continent to India and Australia?—The matter has received public notice.

431. Has not the attention of Parliament been called to the matter?—The honourable Member asked some question in the House, I believe, on the subject.

432. In consequence of those complaints, have you sent officers to France and Italy, and have you succeeded in making any reductions?—It was by no means in consequence of complaints made by the honourable Member, or by public bodies; it was the act of the Postmaster General, who considered that steps should be taken for the diminution of these rates. Those steps were taken with a very satisfactory result.

433. What is the result?—That there has been a very considerable reduction in the rates, which is to last for a certain number of years, and is then to be subject to revision.

434. Has the public been informed of what the character of the reduction is?—No.

435. Do you intend to make it known?—No.

436. I would still like to know the process of reducing the gross revenue, as to whether it is done by the Post Office or by the Treasury reducing this amount and sending it to France or Italy?—It has to be done by the Post Office, of course, but it is done in accordance with the decisions of the Treasury upon the subject.

437. You pay it?—We pay it.

438. As I understand, you make these large payments without the control of Parliament, although you are not allowed to make other payments such as for the necessary repairs in the Post Office, or anything of that character in that way?—Quite so; the other payments to which the honourable Member refers have all to be voted by Parliament.

439. But these are not voted?—These are not voted.

440. Are there any others besides these large sums deducted from the gross revenue without the control of Parliament?—Yes, there are all the transit rates payable to other countries, and there are also such payments as those on account of Money Order Commission to other countries. I ought to add to what I have said that in one way Parliament is informed of the amounts thus paid to foreign countries, namely, in the Finance Accounts. It will be found at page 19 of the last Finance Accounts for the year 1886-87, Parliamentary Paper, 204.

441. Mr. *Ellis*.] In what way does it appear there?—The last two items in the Account under the head of "Payments Out," at page 19, are these, "Postage collected by Great Britain for credit of colonial offices not under the control of the Imperial Post Office, 128,674 *l.* 0 *s.* 7 $\frac{1}{2}d.$," and "Postage collected by Great Britain for credit of foreign offices, 211,287 *l.* 6 *s.* 5 $\frac{1}{2}d.$ "

442. Mr. *Henniker Heaton*.] Does the amount that you pay for the Trans-continental Service, or rather for the Land Service across Egypt, appear in the Estimates?—There is nothing paid now.

443. But there was up to this year, was there not?—Yes.

444. Did it appear up to this year?—That is not a transit rate; it is a lump sum payable under the International Convention with Egypt, and it did appear in that way.

445. Mr. *Ellis*.] Then, as I understand, this is the state of the case: in the Postmaster General's Annual Report, page 9, a certain gross revenue is given for a certain year; that is so, is it not?—Yes.

446. There may be deductions from that which do not appear on the debtor side, and of which no information has been given to Parliament, one of which you have just given us; is that so?—That is the amount after the deduction of the item I have been referring to.

447. Then the deduction has been made before the 10,715,978 *l.* is given to Parliament; is that so?—That is so.

448. Would you explain why such a deduction is made; is it on the constitutional ground that it is not a proper subject for the consideration of the House

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[Continued.]

House of Commons?—It is in accordance with the general principle. All payments of that character for which the Post Office is liable, are treated in accordance with Treasury directions as payments out of gross revenue. I may mention other analogous expenditure; for instance, the payments to railway companies on account of the services they perform for us for the Parcel Post, amounting to 343,000 *l.*, and postage refunded, 12,000 *l.*

449. Are there any others?—Those are the main items.

450. Then the 10,715,978 *l.* is not all the revenue which the Post Office receives by any means?—It is the actual revenue to which the Post Office is entitled after the deduction of the sums collected on behalf of other countries or persons.

451. But those are deducted by itself?—Deducted by itself.

452. This then is not the whole sum that has come into the hands of the Postmaster General?—No.

453. A certain amount has been deducted before this amount of 10 millions and odd is disclosed to Parliament, as I understand?—Yes.

454. You used the expression that that was “according to the Treasury Rules”; are those rules of recent standing or of old standing?—They have been re-affirmed of late, but they are of old standing.

455. Am I to take it that the Post Office itself is not responsible for this state of things, but is guided by certain regulations made by the Treasury?—By certain decisions given by the Treasury; I may say, for instance, that two or three years ago the Comptroller and Auditor General called the attention of Parliament to the subject, and suggested, if I remember rightly, that such payments as those ought to appear in the Estimates and on the Votes, and the Treasury decided that that was not the proper practice to pursue, and re-affirmed the existing one.

456. Was that decision of the Treasury taken in conference with the Post Office, or was it a decision *proprio motu* as a superior body?—It was arrived at in this way: The Comptroller and Auditor General questioned the Post Office as to the propriety of its practice; the Post Office referred the question to the decision of the Treasury, and the Treasury decided the matter.

457. I will not refer to specific items because those might vary from year to year, I understand; but I will ask you, have you given us all the heads under which sums might be deducted without the knowledge of Parliament?—I believe so.

458. Do you see from your long experience any inconvenience in the words “Gross Revenue,” meaning the whole sum that comes into the hands of the Postmaster General?—I do, because all this sum does not come into the hands of the Postmaster General; it is the balance of accounts with foreign countries and colonial post offices.

459. Mr. Brunner.] And are the payments to English railways reckoned in that balance?—No, the sum payable for Parcel Post services to the English railways is dealt with in accordance with the Parcel Post Act, which prescribes that payments to railways shall not be voted by Parliament, but shall be deductions from the revenue. But with regard to those items I have been referring to, it would be impossible to vote the sums, because we do not know beforehand what they will be; they do not actually come into the possession of the Postmaster General, but are the balance of accounts between different countries, colonial and foreign, as I have said. They owe us large sums for transit rates across this country, and for letters carried in English subsidised ships; we owe them, on the contrary, large sums for the services they perform for us, and the balances are adjusted in that way.

460. Mr. Ellis.] Am I correct in assuming, from one of your previous answers, that there were sums of money which come absolutely into the hands of the Postmaster General which are not included in that 10,715,978 *l.* which I have referred to?—In a certain sense it might be so stated, inasmuch as all postage comes into the hands of the Postmaster General, but out of that postage certain proportions are due to the foreign countries for the services they perform in respect of letters for which postage is paid.

461. Can

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461. Can you give us in a lump sum the total amount beyond the 10,715,978*l.*, which was so disposed of without the knowledge of Parliament?—I have already mentioned the items to the honourable Member, they are to be found at page 19 of the Finance Accounts of 1886–87, and they appear in that way every year.

462. And there is nothing besides the items there?—No.

463. Mr. *Heneage*.] Is it not the fact that the whole question of these contracts which we have just been discussing is a matter between the Ministerial Executive in this country and the Ministerial Executive in other countries, and does not come in any way under the Post Office as a Department; you have no knowledge, as a Department, of those contracts to which the honourable Member has been referring?—Yes, we have knowledge of those contracts; we make the arrangements with foreign countries; they are the subject of negotiation between the Post Office of this country and the Post Offices of other countries.

464. Then what is the objection to their appearing in the Estimates if it is a Post Office arrangement?—One reason, as I have explained is, because we do not know the amount that will be payable in any year. There are certain rates, but the sum depends upon the amount of letters that will be carried. Then a second reason is, that the whole money does not come into the hands of the Postmaster General, but is the subject of adjustment between the different countries. A third reason is, because these arrangements having been made with foreign governments, can hardly be altered every year, or be subject every year to the decision of Parliament. Such has been the view of the Treasury.

465. Mr. *Henniker Heaton*.] And is that your view?—Yes, certainly.

466. Can you prepare for us a statement showing the total receipts or gross receipts of the Post Office for last year?—That is shown in the Finance Accounts every year.

467. Will you submit to the Committee a statement of the gross receipts?—I cannot submit it for the past year; it would not be ready for some months.

468. Can you submit a statement for the year before that?—The figures for the year 1887 are in the Finance Accounts.

469. What is the gross total receipts for 1887?—£. 9,160,148. 1*s.* 11*d.* That is the gross receipts for the Post Office proper. Then the honourable Member will find by referring to page 9 of the Postmaster General's Report of last year, that in addition to those gross receipts belonging to the Post Office proper, there are the receipts on account of the Post Office Savings Banks, and the revenue from Telegraphs.

470. So that, exclusive of the revenue from the Savings Banks and Telegraphs, the gross total receipts amount to 9,160,148*l.* 1*s.* 11*d.*?—Yes.

471. You have just said that you are bound to some extent by the Postal Union as to this contract for the conveyance of mails across the Continent to India and Australia, so far as the maximum is concerned?—That is so as regards the mails to India, not to Australia, because Australia is not within the Postal Union.

472. A large proportion of the mails which make up this 97,000*l.* or 100,000*l.* a year, paid to France and Italy under this contract, are Indian, and a certain proportion are Australian?—That is true. Our arrangement with the French and Italian Post Offices is, of course, one arrangement, referring to both sets of mails.

473. By the new arrangement which you have just concluded, and which forms the subject of discussion, how much money will you save in a year?—About 20,000*l.* a year.

474. Out of 100,000*l.*?—Yes, roughly.

475. Those mails go across the Continent in closed bags for India, do they not?—Yes.

476. They are put into the railway train in sealed bags; do you make a payment to the Government of France?—Yes, to the French Post Office, and the Italian Post Office.

477. Are you aware that the French and Italian Railway Companies complain that

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that they do not get nearly the amount of money you pay to the Governments of those countries; that a large proportion of the 100,000 *l.* does not go into their hands at all, although the letters are conveyed in closed bags across the country?—I have no knowledge of that.

478. Mr. *Brunner.*] I think I may make clear by a question, what has been a matter of doubt in the minds of one or two honourable Members; you make, do you not, certain payments to foreign Post Offices, under treaties with Foreign Governments?—Yes. They are not all treaties in the technical sense of a government treaty, but they are arrangements.

479. In your opinion, that is subject to what I understand to be the general rule, that international arrangements by which governments are bound, ought not to be submitted to the chance of reduction in the House of Commons?—That is the view of the Treasury, in which the Postmaster General concurs.

480. Whatever may be thought of principle (and I think most Members will agree with you), that would hardly apply to the payments to home railways?—No, that amount is fixed by the *Parcels Post Act*.

481. You would see no such constitutional objection to the submission of the sums paid to English railways, to the Vote of the House of Commons?—No such constitutional objections, but I see objections on other grounds.

482. Mr. *Preston Bruce.*] With regard to the payment to railways under this Act, I think the payment is by a per-centage of the receipts, is it not?—Yes, it is 55 per cent.

483. That is paid over to the railways?—Yes.

484. Is that arrangement binding on the country for a number of years?—For 21 years.

485. It cannot be altered until after that date?—It can only be altered if there is a revision of rates, and then the railway companies have the power to apply for an alteration of the amounts payable to them. Those rates were altered on one occasion, since the introduction of the *Parcels Post*, and the railways did not see fit to make such application.

486. Is the reason why they are deducted before you strike the amount of gross revenue, because they are supposed to be the same from year to year, and not liable to change?—No, the reason why they are deducted is, if I recollect rightly, because it was considered undesirable to swell the accounts on both sides. It is, moreover, an amount fixed by the Act of Parliament, over which the House could exercise no control for a period of years.

487. Mr. *Mowbray.*] You gave us the figure of the Post Office gross receipts from the Finance Accounts for 1887 as 9,160,148 *l.* 1 *s.* 11 *d.*, I think?—Yes.

488. How do you account for the difference between that and the revenue of the Post Office paid into the Exchequer in 1886–87, which I find in the Appropriation Accounts was 8,450,000 *l.* in the year 1886–87?—The net produce for that year, after the deduction of the amounts to which I have referred (the sums paid to other countries, and so on) was 8,462,567 *l.* 8 *s.* 5½ *d.*, of which 8,450,000 *l.* being a round sum was paid into the Exchequer, the odd 12,000 *l.* being carried over to the next year as a small balance.

489. I understood from your answer to another honourable Member that that figure of 9,160,148 *l.* in the Finance Accounts was arrived at after certain deductions had been made from the gross revenue; is that so?—No. The 9,160,148 *l.* are the gross receipts. From those are deducted payments to foreign countries and the Colonies, and other payments out to the amount of 697,580 *l.*, leaving the net receipts as 8,462,567 *l.* Those are the booked receipts of the Post Office for that year, but booked receipts which are actual cannot, of course, be ascertained until all the accounts are in the possession of the Department, a considerable time after the close of the financial year, and therefore a round sum approaching as nearly as possible to what is believed to be the total of the actual receipts is paid into the Exchequer; and that round sum was for the year 1886–87, 8,450,000 *l.*

490. I want to have this point quite clear in my own mind; you first gave us a figure from page 9 of the Postmaster General's Report, where the gross revenue is stated as 10,715,978 *l.*, I think?—Yes.

491. There

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491. There is also a figure in the Finance Accounts of 9,160,148 *l.* gross receipts?—Yes.

492. And the figure for the Revenue in the Appropriation Account is 8,450,000 *l.*?—Yes.

493. What accounts for the difference between the 10,715,978 *l.* on page 9 of the Postmaster General's Report and the figure on page 19 of the Finance Accounts?—The figure on page 9 of the Postmaster General's Report includes the Savings Bank receipts and the revenue from Telegraphs, which are not included in the figures which the honourable Member has quoted on page 19 of the Finance Accounts which relate to the Post Office proper and do not include Savings Banks or Telegraphs.

494. Mr. J. F. X. O'Brien.] May I ask, would there, in your opinion, be any objection to the Post Office Accounts showing the complete receipts and expenditure?—They do.

495. As I understand, the explanations you have given now, the various sums paid to railways and to foreign services do not appear?—They are exhibited in the Accounts.

496. Where?—On page 19 of the Finance Accounts, which are the completed accounts of the Post Office revenue.

497. Does that Account show also the sums paid for foreign services?—Yes.

498. Would it show the rate of payment as well as the total cost of the services for which the foreign governments are paid?—No, the details are not mentioned.

499. Mr. Henniker Heaton.] Looking at the Postmaster General's Report, page 9, I find that the gross revenue, excluding Savings Banks and revenue from Telegraphs, amounts to 8,400,000 *l.* and odd?—Yes, 8,471,198 *l.*

500. Whereas the gross receipts are 9,160,148 *l.*?—Yes.

501. Therefore, a sum of 697,000 *l.* is not accounted for: all to Parliament, but you say, it is the adjusting of your accounts with other countries?—It is all exhibited to Parliament in the Finance Accounts.

502. What I mean is this: taking the Postmaster General's Report, which agrees with the Treasury statement in the Appropriation Accounts, the gross revenue (exclusive of Savings Banks and revenue from Telegraphs) amounts to 8,400,000 *l.* and odd; whereas, you stated that the gross receipts amounted to 9,160,148 *l.*; therefore, I say a sum of nearly 700,000 *l.* is received, but is not accounted for to Parliament, for the reasons you have stated?—Yes; it is deducted from revenue.

503. Amongst these accounts there was a large payment to France and Italy for the transit of mails, was there not?—Yes.

504. Chairman.] You have just been asked, and you have answered in the affirmative, this question: Whether it is true that your Account gives the gross receipts at 8,400,000 *l.* and odd, and that you do not account to Parliament for a deduction of 697,000 *l.* and odd, from a previously larger account; but you do account for it in the Finance Accounts, do you not?—We do.

505. Therefore, your answer was not correct when you assented to the honourable Member's proposition that that sum was not accounted for?—I did not mean to assent to that proposition; I said those items were exhibited in the Finance Accounts.

506. And, if they are in the Finance Accounts, they are accounted for?—Yes.

507. That sum is deducted from revenue, but it is taken into the Finance Account which is laid before Parliament?—That is the case.

508. Now, I have the Finance Accounts before me, and I find amongst the items that go to make up the 697,000 *l.*, the last is "Postage collected by Great Britain for credit of Foreign Offices, 211,287 *l.* 6 *s.* 5½ *d.*"; now, that I take it must be the proportion of a larger sum, being the amount received by the Post Office for foreign letters going from this country abroad?—Yes.

509. I presume, therefore, that you would be able to furnish Parliament with that total from which the deduction of 211,000 *l.* is made?—I do not think that

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we could furnish a statement of the actual postage on our foreign letters, for this reason, that the arrangements under which these payments are made to the foreign countries are these: they are based upon statistical returns of the weight, taken during a given 28 days in the year for a series of three years, and the amount is multiplied by 13. It is, therefore, an estimated sum, not an actual amount ascertainable from the number of letters really carried.

510. And you have not, as a matter of fact, as I understand from you, in the Post Office at present the materials for furnishing an account of the total sum received by the Post Office in respect of the letters going from here abroad?—We have not. The principle of the Postal Union, and the effect of it, has been to abolish all such accounts.

511. I see that these items are called “payments out”; they are payments out on account; they are not actually payments out?—The balances are real payments from time to time.

512. *Mr. Henniker Heaton.*] It is not guess work?—No.

513. You said that the sum there was an estimated sum, as I understood you?—The accounts are arrived at by estimate, but those amounts are actual sums either received or paid.

514. *Chairman.*] With regard to your use of the word “estimated”; what I understand you to mean is this, that the amount collected by Great Britain for the credit of the foreign offices was not simply a proportion of a total collected by Great Britain for letters going abroad, but was the amount agreed upon between various countries based upon the statistics extending over several years?—Yes. The statistics are taken for a month in a series of three years.

515. That is the method of calculating the contribution which Great Britain should pay or receive in respect of their foreign postage?—Yes, in respect of the services performed for Great Britain by foreign countries, or by Great Britain for foreign countries.

516. That figure in the Finance Accounts represents an estimated sum, but the exact sum passes in account between the different countries and is a deduction from what otherwise would be the receipts of the British Government?—That is the case.

517. *Mr. J. F. X. O'Brien.*] This seems to be the balance of a kind of agreed account?—It may be called so.

518. Would it not be better to give the full figures of the Debtor and Creditor Account, showing how this balance is brought out?—There would be no advantage that I can see.

519. I should like to know whether you see any disadvantage, because some information might be derived from those figures?—The other side of the Account here, at page 19 of the Finance Accounts, shows the amounts collected for the credit of Great Britain by foreign offices, so that the two sides of the Account really are shown there.

520. *Chairman.*] The two sides are shown in the Finance Accounts; the postage collected by Great Britain for the credit of foreign offices is shown, and the postage collected by foreign offices for the credit of Great Britain is shown; but the total amount received in this country by Great Britain for letters going out is not shown, and as I understand, you have no material at the Post Office enabling you to ascertain that total?—The money is not ear-marked as derived from foreign letters; it is shown in the gross receipts of the Post Office.

521. As the Accounts are kept at present, I understand you would not be able to furnish us with a return of the gross amount of foreign postage on letters going out from this country, and the gross amount received by this country in one year?—We should not.

522. *Mr. Richard Chamberlain.*] Would there be any objection to showing in the next Annual Report, in the body or by a foot-note, the agreement between these different figures in the Financial Statement and in the Postmaster General's Report?—It could be done, no doubt.

523. I think it would be of advantage if you can see no objection to it?—I see no objection.

524. *Mr.*

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524. *Mr. Henniker Heaton.*] I noticed by a question in the House of Commons that no less than 25,000 newspapers which are posted are returned to the Dead Letter Office for various reasons, and not sent to Australia at all; I also notice by another report that there are large numbers of returned letters and newspapers, perhaps amounting to tons and tons, which are not delivered; what becomes of all those letters and waste paper?—The letters which cannot be delivered or returned are destroyed after a certain lapse of time. The waste paper is sold by auction.

525. By the Post Office?—It goes to the Stationery Office; the Stationery Office does the work; they are our agents.

526. Do they credit you with the amount?—No, the Stationery Office do not credit us with the amount; it becomes part of their extra receipts.

527. Will you tell us the method of destroying the letters?—I believe that they are turned to pulp like our telegram forms.

528. And sold?—I believe so.

529. You do not know positively as to that?—I do not know for certain. I can make inquiries.

530. I should be glad if you would get us information as to what becomes of the whole of the waste paper used in the Post Office; I mean sheets of paper as well as the letters and newspapers?—I can make inquiries, but I have no knowledge of the method of its disposal.

531. You have no idea of the amount that is received for it, as I understand?—No, the Post Office has no knowledge upon that subject.

532. You have never made any inquiry?—No, it is not our business; it concerns the Stationery Office.

533. *Mr. Dixon-Hartland.*] Do the Stationery Office supply you with stationery for nothing?—They supply us without making any charge.

534. And they take the waste paper in return for what they supply to you, as I understand?—Yes.

535. *Mr. Henniker Heaton.*] Is there any officer in your Department who keeps an account of the quantity in weight of this waste paper; I mean the returned newspapers and returned letters which you say are reduced to pulp?—I have no doubt that the quantity could be ascertained; I do not know whether it is weighed or not.

536. All that waste paper must be of enormous value; you no doubt know what waste paper is worth a pound?—I believe it is of considerable value.

537. I understand you to say that the returned letters are reduced to pulp by the Post Office?—Whatever is done is done by the Stationery Office, I think; but I am not sure as to the practice. I will make inquiries upon the subject, and furnish the Committee with such information as I can obtain.

538. *Mr. J. F. X. O'Brien.*] Is it the fact that the cost of stationery consumed by the Post Office does not appear in the expenditure of the Post Office?—It does not; it is mentioned in the Appropriation Account presented to Parliament as an additional item of information, but it does not pass through the actual Post Office accounts.

539. *Chairman.*] You have handed in two Returns, which were asked for, with regard to the Inland Postal Service. If any Member wishes to ask a question upon those Returns, you are, no doubt, prepared to explain them?—Yes.

540. *Mr. Brunner.*] I find in this Return, under the head of "Post Cards," the charge to the public is the stamp, *plus* a certain amount for the cost of the cards?—Yes.

541. When it is possible to reduce the charge to the public would it not, in your opinion, conduce greatly to the convenience of the public to make the reduction in the shape of charging nothing for the cards beyond the stamp?—That is a course that might be adopted. I see no objection to it from a Departmental point of view, beyond that it would involve a loss of revenue. It certainly would be an advantage to the public.

542. With regard to the items 4, 5, and 6 in this Return, "Book Packets," "Patterns and Samples," and "Parcels," I desire to ask whether these varying charges, which do not differ very widely, do not impose upon the office a large amount of clerical labour?—Not of clerical labour; they involve this amount of

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labour,

labour, that officers at the counter at the post offices must see that the proper rates are paid.

543. Would you describe that as involving no clerical labour?—There is no writing about it; clerical work, as we understand it at the Post Office, applies to writing work, apart from counter work or manipulative work.

544. It is a technical term with you, is it?—Yes.

545. I ask the question because I should include all the time occupied by clerks under the head of clerical labour; from the point of view of payment for it, it is clerical labour?—The officers who perform this duty are not generally called clerks, but sorters or telegraphists.

546. I will adopt your term, and ask whether these varying rates do not involve a considerable expenditure of money on the part of the Department?—I do not think it can be said they do. Every article that is posted has to be examined to see whether it has been subjected to the proper charge, which is duly provided, and that is the necessity of the work.

547. That is so, but if all the articles were charged the same rates a man would get through a larger amount of work in an hour than with varying rates?—That is no doubt the case.

548. Then I think you and I agree upon that subject. Now taking it that the Department would save money, would it not, in your opinion, be wise on the next occasion when the Department is able to reduce rates for the benefit of the public to consider whether these rates for “Book Packets,” “Patterns and Samples,” and “Parcels,” should not, whilst being reduced in the whole, be also simplified in the whole?—The action of the Department has always been in the direction of simplification as far as possible, consistently with the maintenance of the rates necessary to produce the revenue which ought to be derived from certain classes of business.

549. Do you agree that there is room for improvement under those three heads in the direction of simplification?—No, I do not. At present it is believed that these are the proper rates to charge, and that they cannot at present be more simplified than they are.

550. In practice what is the difference from the point of view of handling and carriage by the Department in the case of a book-packet, as compared with patterns, or samples, or parcels?—There is no difference in the handling of the packet.

551. There being no difference in the handling and in the cost to the Post Office, what defence is there for a difference in the rates?—I was perhaps not quite correct in saying that there is no difference in the handling, because the handling and treatment of patterns and samples is more laborious and difficult than in the case of book-packets. It was in consequence of that difficulty that arose from the abuse of the sample and pattern post when it existed previously to 1871, that it was abolished as involving an amount of labour incommensurate with the revenue to be derived from it.

552. And that labour, I take it, was in consequence of the difference in the charge between the book-packet and pattern post?—To a certain extent.

553. And the so-called abuses arose from the same difference, I presume?—It may be said so.

554. Mr. *Raikes*.] I should like to ask a question arising out of that. As a matter of fact, the rate for book-packets and for samples, as I understand from this Return, differs only in these two points, that is to say, that there is at present a halfpenny rate for two ounces in the case of book-packets, which is not extended to samples; and that the graduated scale for book-packets also goes on above the weight of eight ounces, whereas the sample post is limited to eight ounces. That is so, is it not?—That is so.

555. And that so far as they travel together, that is to say, in the case of four ounces, six ounces, and eight ounces respectively, the rates are identical?—Yes.

556. Is there not apparent to the Department a sufficient reason for limiting the new sample post to eight ounces, having regard to the institution of the parcels post since the sample post was discontinued?—That was the reason, no doubt, that led to the limit being fixed.

557. And that limit does not apply to the case of book-packets?—No.

558. Mr.

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558. Mr. *Jackson*.] I rather gathered from an honourable Member's question just now that he was in favour of one rate for book-packets, patterns, samples, and parcels, but surely if the rate were levelled down, that would be a considerable loss of revenue, would it not?—It would be very serious, no doubt.

559. And if the rates were levelled up for these parcels probably the public would complain?—Certainly.

560. Mr. *Brunner*.] My question was rather this, whether you did not think that when an opportunity came of relieving the public by reducing the charge, the reduction might not be accompanied by simplification, with advantage to the Department and advantage to the public, and I understood clearly that your answer to that question was yes?—I said that the Department always aimed at simplification whenever possible.

561. Mr. *Richard Chamberlain*.] In this paper which you have put before us of the "Changes in Inland Postal Rates, 1868 to 1888," you do not mention when there was an alteration by which the penny stamp served for Inland Revenue purposes as well as for postal purposes. Will you tell me when that was and how you arrive at the proportion chargeable to the Inland Revenue and to the Post Office respectively?—If I recollect rightly the alteration was in the year 1881; the way in which the amount was ascertained in the first year after the change was by the Inland Revenue Office taking the amount they had received in the previous year from penny stamps as the starting point. That sum was, therefore, deducted from the stamp revenue and handed over to them. In succeeding years a percentage is added, and the estimated amount is paid over to the Inland Revenue; but, of course, that never can be an exact revenue.

562. Are you and the Inland Revenue fairly satisfied with the allocation?—Yes. I cannot say that I liked the change, for I thought it was not one in the direction of accuracy; but the Government of the day decided upon it, and it had to be carried out. The change always struck me as one which deprived the two Departments of the advantages of accuracy, and which would also deprive the Chancellor of the Exchequer of the advantage of exact accuracy when considering the imposition or relief of taxes.

563. I gather from you that you think that the allocation is sufficiently exact, and that the Post Office does not suffer any loss?—Yes. I think, moreover, that the convenience to the public is so great as to outweigh the small disadvantage of want of accuracy.

564. You collect for the Inland Revenue now, do you not, dog licences, carriage licences, and so on; is there any reason why you should not receive the payments of the assessed taxes; I do not mean to suggest that you should send out the forms, but that the payments might be made at the post offices; do you see any reason against that being done?—There is no reason, from a post office point of view.

565. And you do not think there would be any difficulty?—None.

566. *Chairman*.] I assume that the proportion of penny stamps to be credited to the Inland Revenue would be a very small proportion of the whole, would it not?—Very small.

567. Have you any notion how small?—I understand it was about 500,000 *l.* for last year.

568. Out of how much?—Out of the gross revenue of the Post Office of over 10,000,000 *l.*

569. Mr. *Dixon-Hartland*.] I see this Return says that halfpenny post-cards were introduced in 1870; has the price of these post-cards been exactly the same ever since then?—Yes.

570. Both of the thin and the thick?—There has been a slight change in the way of increase of price, in deference (if I recollect rightly) to remonstrances from the stationery trade, to the effect that the Department was competing with and underselling them.

571. Was not that increase in price in reality caused by the outlay that the Department made in 1879–80; was it not because the Post Office, at the rate at which they had contracted, could not afford to sell the cards at the same price as they had previously done?—Not that I am aware of.

572. Was it not in consequence of the fact that there would have been a loss
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to the Post Office if they had sold at the old prices ?—I cannot recall that such was the fact.

573. Do you know, of your own knowledge, whether the price at which the post-cards are sold to the public now is sufficient to recoup the State for the price paid upon the contract ?—It is, I believe.

574. Are you aware that the same card which you are selling at 8*d.* a dozen the general public are selling at 6½*d.* ?—Yes.

575. What do you think is the reason why the public can sell and make a profit at 6½*d.* when you sell at 8*d.* ?—They can produce them cheaper, I suppose.

576. That is in consequence of the contract you have made, I presume ?—It would appear so. The contract is made by the Inland Revenue Department.

577. *Chairman.*] Now, we will go to the Post Office Packet Service Vote, and I will ask you to give such explanations as you think desirable to the Committee, as to the variations under the different Sub-heads ?—The increase of 1,078*l.* under Sub-Head A. (which provides for the conveyance of mails by packets within the United Kingdom) is an account of increased services in Scotland, notably the services between Portree, Lochmaddy, and Dunvegan, and between Greenock and Kilmun ; and the growth of business on the line between Greenock, Ardrossan, and Belfast. Then, as regards the increase of 10,200*l.* under Sub-Head C., which provides for the conveyance of mails to America, 5,000*l.* of it is for increased weight of mails carried to the United States, which are paid for by weight ; 2,000*l.* of it is on account of increased weight of mails between Liverpool and Callao ; 4,000*l.* of it is to provide for the carriage of the Newfoundland mails.

578. That is a contribution, is it not ?—That is a contribution in aid of the Colonial Packet Service. The service is performed by the colony, but at a considerable loss to them ; and the Government agreed to contribute this amount in aid of the service.

579. Does that contribution cover the loss ?—That is for the Colonial government to say ; they are satisfied with it.

580. You do not know whether it covers the loss ?—No.

581. *Mr. Brunner.*] Which way do those mails go ?—They go by way of Halifax in the winter, and in summer, to St. John's, Newfoundland, direct.

582. Do they go by a line of steamers to St. John's, Newfoundland, direct ?—Yes.

583. From where ?—From Liverpool.

584. I do not remember having heard of such a line ?—It is the Colonial Line, the Allan Company.

585. Is that the same as the Quebec Line ?—It is a distinct line from the Quebec Line ; it is the same company, but a distinct line.

586. *Chairman.*] Will you proceed to the next Sub-head on which you have any explanation to make ?—In Sub-Head E there is a net increase of 90,570*l.* The subsidy payable to the Peninsular and Oriental Steam Navigation Company under the new contract for the mail service to India and the East, exclusive of Australia, is 265,000*l.*, as compared with 360,000*l.* under the old contract ; being a saving of 95,000*l.* The subsidies payable to the Peninsular and Oriental Steam Navigation Company, and the Orient Steamship Company, on account of the new Australian services, Brindisi and Adelaide, and Naples and Adelaide, respectively are, as regards the Imperial Government, 95,000*l.*, and the Appropriations-in-Aid receivable from the Colonies are 75,000*l.*

587. Where do those Appropriations-in-Aid appear ?—At page 120, under a new Sub-Head, M.

588. The Appropriations-in-Aid, I find, amount to 160,360*l.* ?—Yes ; those were formerly extra receipts.

589. Then the increase in Sub-Head E. is due to the new Australian services ?—Yes.

590. *Mr. Raikes.*] I should like you to explain to the Committee that although there is an apparent increase due to the new Australian services, there is

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is, as the Committee will see, if they look at the foot of the account, an actual decrease on the whole vote altogether of 57,841 *l.*; that is so, is it not?—Yes.

591. That is due to the fact of the Appropriation-in-Aid amounting to 160,360 *l.*?—Yes.

592. It is, perhaps, as well to ask you, although it appears in this paper, whether it is not the fact that by the new contract made with the Peninsular and Oriental Company for the conveyance of the Indian mails, there was a reduction of 95,000 *l.* a year in their old subsidy, and whether that saving is still further increased by the abolition of the charge of 12,000 *l.* a year, carried on the former vote, for the conveyance of mails through Egypt?—That is the case.

593. The total saving that has been made upon the Indian Vote amounts, therefore, to 107,000 *l.* a year?—Quite so.

594. Then it is the fact, is it not, that the new service to Australia will, if ratified by Parliament, entail a charge of 170,000 *l.* a year altogether; that is to say, that would be the total amount of the two subsidies to the Orient Steamship and the Peninsular and Oriental Steam Navigation Companies?—Yes.

595. Of that, 75,000 *l.* is to be contributed by the Australian Colonies?—Yes.

596. So that, on the whole, this re-adjustment of mails to India and Australia brings out a saving to this country of 12,000 *l.* a year, at the same time that a more efficient service is performed; that is so, is it not?—Exactly.

597. Then with regard to the Appropriations-in-Aid, it is the fact, is it not, that the figures have not yet been ascertained as to the precise contributions to be made by India and other Colonies in the East, but they have been taken at a lump sum?—Yes, the exact details have to be settled in concert with the India and Colonial Offices.

598. But although the actual figures have not yet been ascertained, the principles upon which those Appropriations are to be made have been recognised by the Indian as well as by the British Government?—Yes.

599. Mr. *Hankey*.] I see in Sub-Head G. there is an item for the pay of a commander at Dover; I would like to ask why it is necessary to have a commander, as appears to be the case solely at Dover; there are many other points of departure of mails for foreign service; Queenstown, for instance, and I suppose Southampton for the Cape mails; why is it necessary to have a commander at Dover and not at others?—That establishment at Dover has existed for a very long time. There are a far larger number of mails being despatched from and arriving at the port of Dover than there are at other outports; there are several every day, and it has been considered advisable that there should be an officer there to exercise a general control or superintendence over the arrangements.

600. Do you not think it would be possible to establish at Dover the same arrangements which exist at other ports where the mails are despatched, and to dispense with this officer?—I am hardly prepared to say that it would. It is very useful to have an officer there who is a man in authority, to whom appeal can be made with regard to the berthing of ships and other matters.

601. Would not the berthing of ships be the duty of the harbour master at Dover?—Yes; but, inasmuch, as it would affect the rapid despatch or receipt of mails, it is very desirable, I think, to have an officer of the department there to watch the interests of the public in that respect.

602. Mr. *Mowbray*.] Do these Estimates under this heading cover the whole cost of conveying the mails by sea?—Yes, with the exception of the transit rates payable to foreign countries, which have been already referred to, when our mails are carried by foreign lines.

603. But is there not also a heading under the Post Office Estimates relating to conveyance of mails by sea; I refer to Sub-head G. 3?—There is that additional amount of carriage of mails by private ships, not under contract, in the United Kingdom, and to and from places abroad.

604. Would it not be more convenient if that Sub-head was transferred to the

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Packet Service, so as to show the whole cost of the conveyance of mails under the same Vote?—I am not aware of any reason why it should not.

605. I ask the question because I see it referred to in the Report of the Comptroller and Auditor General in the last Appropriation Account. This Sub-head is referred to there?—That question would be considered as the Comptroller and Auditor General has raised it.

606. Mr. J. F. X. O'Brien.] What does this amount, "Estimated extra receipts," which I see on page 117 of the Estimates of 103,760 £., refer to?—That amount refers to the year 1887-88.

607. Are the sums that at present appear under the head of Appropriations in Aid, corresponding sums to those that last year were estimated as extra receipts?—They are in character the same.

608. I see, under Sub-head A., 2,000 £. charged this year and 3,000 £. last year for additional services, England and Scotland; have you any corresponding allowances for Ireland?—These amounts include the services to Ireland, as the honourable Member will see by the first two items under the Sub-head, which are "Holyhead and Kingstown," "Greenock, Ardrossan, and Belfast."

609. But I am referring to the allowances for "additional services," which is the last item there?—If any additional services had to be performed in regard to the conveyance of mails to or from Ireland, the cost would come out of that sum; but it was not anticipated that such increase would be necessary during the coming year, and, therefore, nothing was specifically set down for Ireland.

610. Is not Queenstown a very important station?—I have no reason to think otherwise.

611. You have no commander superintending there; is there any disadvantage in not having such an officer there?—I should think not.

612. Then what is the necessity of having one at Dover?—The number and frequency of the mails at the two places are altogether different.

613. Mr. Dixon-Hartland.] What does this superintendent at Dover do?—I am unable to describe his duties specifically. He has been there ever since I have been at the Post Office, and he renders, I believe, useful service to the Department.

614. In what way; is he ever on the pier to receive the mails coming in and out?—He is often there; many times a day, and at night. He goes over to Calais to see that the arrangements are properly carried out there. He is, no doubt, of considerable service to the Department.

615. Do you know of your own knowledge that he is ever on the pier?—Yes, I have often met him there.

616. I have crossed a great many times, and I have never seen him, and when I have asked who is in charge of the postal arrangements, I have been told the railway company?—The mails are handed over to the railway company.

617. And I am told that he has not anything to do with it?—He has not anything to do with the railway company strictly, but in one sense he has, because he is an officer of the Department who could interfere if anything was done to the detriment or damage of the service, and would make remonstrances to head-quarters, with a view to the improvement of the service and to secure its being regularly carried on. I have often seen him on the pier myself, and we receive reports from him with regard to the conduct of the service.

618. Have you any return at all of what work he does?—He is not compelled to make any exact return. His retaining fee is not a very large one.

619. I see his pay is 365 £., and this, with the other allowances that he gets, amounts to 568 £. altogether?—He has to employ a messenger and a porter, and two boatmen.

620. What does he do with them?—I am unable to say exactly.

621. Would you obtain information as to what the duties of this officer are, and how he employs the boatmen and porters who are allotted to him?—I can obtain for the Committee the information they desire specifically.

622. Mr. John Ellis.] In the memorandum which has been supplied to us there

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there is a statement to the effect that the subsidy payable under the new contract for the mail service to India and the East, exclusive of Australia, is 265,000 *l.*, as compared with 360,000 *l.* under the old contract?—Yes.

623. May I ask whether you get precisely the same service for the smaller sum that you did for the larger?—We get a much better service as regards speed, and the same number of voyages.

624. Then I may take it that the Company do for 15 *s.* as much as they did before for 20 *s.*; for that is about the proportion?—Yes.

625. It seems such an enormous reduction that the inference one draws from it is that the old contract must have been sadly too large; perhaps you can give us a reason for that enormous reduction; may I ask whether the old contract does not strike you as an enormous sum?—The steamship companies are now, no doubt, enabled to make a considerable reduction, because they can now go straight through the canal. The old contract was for the best terms we could get at the time; we now get much better.

626. We have no means, as far as I can see, of comparing the sum of 160,360 *l.* under Sub-head M., "Appropriation in Aid," with the extra receipts, have we?—There are the two items there on page 117, the "Estimated Extra Receipts" for 1887-8, and the "Appropriation-in-Aid for 1888-9;" and they can be compared.

627. The sum of 160,360 *l.* compares then, so far as you can give us any means of comparison, with the sum of 103,760 *l.*?—It does, but there is the new item of the Australian mail service introduced this year, from which there were no extra receipts the previous year; that is the main reason for the difference.

628. Then may I take it that the net result of the whole account is that the country is getting a very much improved packet service for 57,841 *l.* less than it did?—I think that is the correct way of putting it, but I am not quite sure that I apprehend your point.

629. My object is to bring out perfectly clearly the final figures on page 117 of the Estimates. We have there given us a figure of 57,841 *l.* as "net decrease"?—Yes.

630. Is that the correct figure; is there a net decrease?—Not if you take into account the Appropriation-in-Aid. That is the net decrease on the Vote, because there were no Appropriations-in-Aid last year; but against the expenditure last year of 699,341 *l.*, there were to be set the Estimated Extra Receipts of 103,760 *l.*

631. Then will you give me what is the real final figure for the year?—It would make it really an increase of 45,919 *l.*

632. Now then, let me ask whether instead of there being a net decrease, as appears on page 117 of the Post Office Packet Service Estimates, the final result is not this, that with a vastly improved service there is an increase of 45,919 *l.*?—That is so.

633. Mr. *Raikes.*] There is one point I wish to ask arising out of that, and it would be this; I think you would tell us, would you not, that the Estimates of last year included no charge for the conveyance of a mail to Australia outside the lump sum of the Peninsular and Oriental contract?—That was so, so far as the Eastern route was concerned.

634. That is to say, that up to the present year the Australian mails were conveyed either to Ceylon or to Aden, or to other places, by the Peninsular and Oriental Company, along with the Indian mails, for the inclusive sum which they received for carrying the Indian mails?—Precisely.

635. Therefore there is 95,000 *l.* for the new Australian service in the Votes of this year which did not appear in the Votes of last year?—Yes.

636. If it had not been for the new Australian service (that is to say, if you take that 95,000 *l.* away from the Estimates), there would have been an actual gain of about 50,000 *l.*?—Yes.

637. Mr. *Dixon-Hartland.*] Do you mean that the mails are not carried in the

the same way at all, and that the Australian mails do not go with the Indian mails?—Quite so; it is a direct service.

638. The whole of the Australian mail goes direct now, does it?—Yes.

639. And therefore it costs more money?—Yes.

640. Mr. *Henniker Heaton*,] With regard to the contracts made for the Australian and Indian services I would like to ask you first, are you aware that under the old contract the Australian Government paid last year to the Peninsular and Oriental Company 85,000 *l.*, and to the Orient Company 70,000 *l.*, or a total of 155,000 *l.*?—I am not personally aware what the Australian Governments paid.

641. Are you aware that now the total amount to be paid by the Australian Governments to the two companies for the better service is 75,000 *l.* only?—That has to be paid to the Imperial Government, which is responsible for the whole amount of the subsidy to the two companies.

642. That is to say, that the balance of the 170,000 *l.*, namely 95,000 *l.*, is to be paid by the British Government?—Quite so.

643. Under the old arrangement the Australian Governments paid for their mail services the two companies, one to Ceylon, and the other, I think, to Brindisi, to meet the eastern mail; and now you share the contract with the Australian Governments; is not that so?—Yes, we do.

644. Were you aware that, as a matter of fact, the Australian Government save 75,000 a year, by the new contract?—As I am not aware what their previous payments were, I cannot say what they save.

645. You have just made a contract with the Peninsular and Oriental and the Orient Steamship Companies to convey the mails to Australia for 170,000 *l.* a year, of which the Australian Governments pay you 75,000 *l.* a year?—Yes.

646. Have you made a calculation as to the cost of the new Australian mail contract to the British Government, as compared with the old one?—We have.

647. You have a Return of the number of letters and papers received from and despatched to Australia every year; you have published those Returns, I think?—Yes.

648. Would those Returns furnish the Committee with a rough calculation of the comparative cost of the two services under the old contract and under the new?—Yes, I believe that could be done.

649. In a letter to me which is signed by you, I see that you made a calculation that the total amount of postage collected for British mails for Australia amounted to 116,000 *l.* per annum?—Yes.

650. With regard to this contract to and from Australia, why do you consent to pay 95,000 *l.* and the Australian Governments only 75,000 *l.*, in place of sharing equally in the amount; will you state the circumstances which led you to do that?—The Chancellor of the Exchequer considered that that was the proper sum to contribute.

651. Did you make any observations to the Chancellor of the Exchequer on that payment?—I was present when the negotiations took place.

652. There were numerous interviews between you and the Agents General on the subject, I believe?—There were.

653. The practice in the countries where the Postal Union exists is that every country shall keep its own postage?—Yes.

654. And there are no accounts kept?—Quite so.

655. Is it not the fact that the reason why you paid 95,000 *l.* as your share, and the Australian Governments only 75,000 *l.*, was that a great many more letters were sent to Australia than were received from Australia?—The honourable Member is perhaps alluding to an Appendix in the Postmaster General's Report, which would tend to show that such is the case; but a subsequent examination of the method in which that table was prepared has convinced us at the Post Office that it is founded upon imperfect data; and although there can be no doubt that the number of letters posted to the Colonies is in excess of that which is received, we believe that it attains nothing like the proportions mentioned in that table. The fact was that the table was prepared upon the basis of a counting of letters that extended over a very short period of only two

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or three days, or a week ; whereas the proper method which is observed in calculating payments to foreign countries according to the statistics is, to spread the calculations over the whole month. It is found that if the calculation is extended over that period the excess of outward over the inward correspondence is nothing like so large as appears there.

656. I hold in my hand a statement furnished me by the Postmaster General of Australia, in which they state that from Australia last year 2,674,000 newspapers and circulars were sent to England, and no less than 6,141,000 newspapers and other printed matter was sent to Australia through the Post Office, which is an enormous proportion ; nearly three to one ; do you think that is correct ?—I am unable to say off-hand.

657. I want to see whether the bargain has been fair ; what do you say to that ?—I am unable to say whether those figures would be accepted by the Post Office.

658. They also say that 1,800,000 letters were sent to England, and 2,600,000 letters were sent from England to the Australian Colonies generally, in one year ?—I am unable to check that return off-hand ; I cannot say whether it is correct or not.

659. We have got the fact that 170,000 *l.* a year has to be provided for the Australian mail service ?—Yes.

660. Have you any idea what are the total receipts of the Australian mail service ?—I cannot state them at this moment.

661. Do you think you could get them ?—We could furnish an estimate.

662. Under the old contract the Australian mails were carried to Ceylon by the Peninsular and Oriental vessels, were they not ?—Yes.

663. Whether the Australian mails were carried to Ceylon or not, the contract would still continue with the Peninsular and Oriental ; that is to say, for eastern mails ; that is so, is it not ?—Yes.

664. You have got the mail contract to Ceylon, whether the Australian mails are carried there or not ?—Yes.

665. With regard to the Indian postage, you pay 265,000 *l.* a year. I see that in the Thirty-third Report of the Postmaster General, page 33, you estimate the total receipts from sea postage to India at 61,750 *l.* ?—Yes.

666. And the estimated British loss on the sea service is 218,600 *l.* ?—Yes.

667. Have you made a calculation of the total receipts on letters from and to India, as we have from Australia ; have you a return of the number of letters sent to and received from India every week ?—No ; India is in the Postal Union, and we keep no account of the postage on the letters.

668. Although it is one of our own dependencies, you have no return ?—No.

669. Have you ever tried to ascertain whether we gain or lose by this service, or rather, I should say, to ascertain what is the total amount of loss upon the Indian service ?—It is stated here as 218,600 *l.*, “ estimated British loss on the sea service.

670. If you could give the Committee a statement for any week of the amount of mails, the weight of letters, and the weight of newspapers, dispatched to India, we could calculate from that the value of the mails, and that would enable us to ascertain exactly the receipts of postage for the Indian and the Eastern mails every week. We already have the amounts from Australia and the amounts from America ; could you get for us a statement of the total receipts from India ?—Yes, I think that statement could be furnished.

671. Could you furnish the Committee with a balance sheet, such as we have got for Australia and America, of the expenditure and receipts of the Post Office packet service for India, so that we should have before us a complete balance sheet of the expenditure and receipts of the Post Office packet service for all foreign countries ?—If the honourable Member would be good enough to give me the exact form in which he wants the information, I shall, of course, be very glad to supply what I can.

672. Will you furnish me with the total receipts for mail matter to the colonies for which packet-service money is voted here ; that is to say, for America,
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for Africa, and for Asia, showing whether the packet service is a paying one, or rather, to which of the colonies the losses are attributable?—I will see whether that can be done.

673. Mr. Brunner.] May I ask you whether a large amount of mail matter that you send to India and the Australian Colonies is not mail matter received from the Continent of Europe, for which you receive nothing; to make my meaning clearer, I will give an illustration: letters posted in Germany, if I am not mistaken, frequently pass through England for the East; the postage is received by the German Government, and the English Government gets nothing for it; is not that so?—We receive land transit rate for whatever traverses England; but no letters from Europe for India pass through England.

674. And ocean transit, too?—We receive ocean transit for the mails carried in English ships.

675. But you do not receive the total amount that is represented by the stamps on the letters?—No.

676. Therefore some allowance would have to be made for the amount received by the Continental Governments?—We receive the transit rates fixed by the Union, at so much per kilogramme.

677. But the amount you receive is considerably less than is represented by the postage stamp on the letter?—Certainly.

678. I observe that the commander superintending at Dover receives, first, his pay as a commander in the Royal Navy, then an allowance for lodging, then an allowance for victualling, and then a special allowance; are there many officers in the service of the Department who receive their pay in so many items?—I do not know of any officer who exactly occupies the same position as this one, who is paid in the same way.

679. My question was, are there many officers who are paid in several items by way of allowance, and so on?—There are a good many travelling officers who receive *per diem* allowances, or subsistence allowances, when they are travelling, of course; then there are stationary clerks of surveyors, who receive, in addition to their fixed pay at the office to which they are nominally attached, a small allowance for their extra responsibilities as surveyors' clerks; but I do not think that there are any other officers who receive additions to their pay in this way.

680. Do you think, upon the whole, that the system of allowances is an economical one?—Does the honourable Member mean such allowances as I have referred to?

681. Yes?—I think that is the only way of meeting the extra expense to which an officer is put when he is detached from his ordinary duties; either for a shorter or longer period.

682. This officer to whom I have referred is not such a one; he is stationary?—Yes.

683. Are there other officers who are not bound to travel in a similar position?—I am not aware of any.

684. Mr. Preston Bruce.] I should like to ask you one question with regard to the conveyance of mails to some of the western islands of Scotland. On page 118 of the Estimate I observe there is some increase in the expenditure; for instance, the expenditure upon Dunvegan and Lochmaddy in the previous year was 430 *l.*; that disappears; but lower down there I see Portree, Lochmaddy, and Dunvegan, 1,550 *l.*, which is a new charge; does that indicate the improved service of mails to those islands, the Hebrides?—It does.

685. Has that improved service come into operation yet?—Yes.

686. Have the results of that service been satisfactory?—It has only been in operation a very short time; I forget the exact date when it commenced, but it was very lately.

687. Has this improvement been made in the hope of a better return, or is it of an eleemosynary character?—It was made, for the additional postal convenience of the islands, in deference to representations from the localities, and from the Secretary for Scotland.

688. As

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[Continued.]

688. As I understand, it is too soon to say whether the returns will be satisfactory or not?—I think there is little doubt that the expenditure will not be recouped by the revenue from the correspondence.

689. I believe you have some arrangements with the Fishery Board with regard to the telegraphs; have you any such arrangements with regard to the mails?—No.

690. This mail is quite independent of anything to do with the Fishery Board, is it?—Yes.

691. Mr. *Dixon-Hartland*.] Did I rightly understand that the mails come from Germany and France to England, and go from England to Australia?—No; the only mails which come across this country from Germany and France, are the mails for the western countries, such as America or the West Indian Islands, or to Australia *via* San Francisco.

692. Do they come from Germany through England?—Yes.

693. Do not the Germans charge just half the price we do for those letters to their public?—They charge a lower price than we do in some instances.

694. I suppose you know there are agencies in Paris and in various cities in Germany to which large quantities of letters are daily sent over from England to be posted at a lower rate than we can post them for here; can you tell me whether those letters come back here at our cost?—No; I do not think they do.

695. You are aware, are you not, that such a system of agencies is going on?—I have no personal knowledge of it.

696. A question was asked in the House, and the name of one of the agencies was given?—I do not remember seeing the honourable Member's question reported.

697. Mr. *Richard Chamberlain*.] On page 118 of the Estimates, "Sub-Head B, Europe," I observe the contract for conveyance of mails between Dover and Calais is 10,100 *l.*, and the excess of premiums over penalties 3,100 *l.*, nearly 33 per cent. of the whole contract; does not that seem to show that the specification in the contract is defective?—I do not think so; that was the arrangement made by the companies. If that had not been so, a larger original sum would probably have become necessary. It is only another way of paying for the same thing.

698. Do you think that that is as good a plan as shortening the time of delivery and making the amount of premium or penalty bear smaller proportion to the original payment?—It induces a better speed.

699. I observe that the contract is dated the 25th of March 1878; when will it come up for revision?—The contract can be terminated under certain notice; but the Postmaster General has not seen any reason to give that notice at present. We are well satisfied with the contract.

700. The meaning of so large a payment for premiums is, I presume, that the time allotted is very much greater than what the service can be regularly performed in?—No doubt.

701. Therefore, on every occasion you pay the companies a premium in addition to the regular charge?—Not on every occasion.

702. On so many occasions at all events that 3,100 *l.* has to be added to the fixed payment of 10,100 *l.* as excess of premiums over penalties?—That is so.

703. Mr. *Heneage*.] Is this Commander superintending at Dover a naval officer changeable from time to time, or is he upon the permanent staff of the Post Office?—He is upon the permanent staff of the Post Office. The officer is Sir Thomas Bruce, and he has been there for many years.

704. Mr. *Henniker Heaton*.] I wanted to ask you a question about Shanghai; there is a Postmaster General at Shanghai, is there not?—There is no Postmaster General at Shanghai; we have no post office there.

705. Is there not a British post office at Shanghai?—No; there is an agency of the Hong Kong post office, which is a colonial post office.

706. You are not aware of there being any British post office at Shanghai?—No; not a British post office; it is a colonial post office which is established at Shanghai under the Hong Kong Government.

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707. *Chairman*.]

707. *Chairman.*] Now we will pass to the tables showing the per-centages of expenditure to gross revenue. Taking Table 1, which shows in the third column a comparison of the yearly per-centage of expenditure in respect of salaries and wages to gross revenue, we find there, do we not, with a constantly increasing revenue, at the same time an increase in the proportion of the cost of salaries and wages?—That is so.

708. The business has increased, but the salaries and wages have increased, have they not, in greater proportions than the returns?—I do not know that the returns can be specifically connected with the item of salaries and wages any more than with any other Sub-head of the Estimates.

709. What I wanted to put to you was this: if we look at the heading of this table we find under “Salaries and Wages” “Expenditure as per Appropriation Account” in one column, and in next we have the per-centage of gross revenue which that item of expenditure amounted to?—Quite so.

710. Then what I say is that the per-centage constantly increases at the same time that the revenue constantly increases; that is so, is it not?—Yes.

711. I will simply ask you, in opening this matter, whether there are any explanations of that fact which you would like to put before the Committee?—The reason why the salaries and wages have increased rather rapidly of late is no doubt that which I gave to the Committee the other day, namely, that there have been additions made in recent years to the wages of the sorting staff and the telegraphists, and also to the postmen in the way of additional wages and good-conduct stripes, and in other ways.

712. Then the increase, if I understand you rightly, in these per-centages is in the main due to the improved scales of payment?—Yes.

713. If instead of comparing the salaries and wages with the gross revenue, and bringing out the per centage in that way, you were to compare the number of persons employed with the gross revenue, what would the result be; would the growth in the number of persons represent the same kind of growth in per-centages that we have in that column?—I am unable to say, having never done that.

714. But I understood you to say you attributed this growth in the per-centage of the proportion of salaries and wages to gross revenue to the improvement in the pay of the Post Office officials?—Yes; but besides that there is, of course, the increase in the number of staff, owing to the introduction of such new classes of business, such as the parcel post.

715. But if it is partially due to the improvement in the scale of their pay you would not get exactly the same per-centages as you do now if you took into account the increase in the number of those employed; instead of the amount of their salaries, would you?—No; the per-centages would be different.

716. If there had been no increase in the scale of pay, would you not have expected, having regard to the larger revenue, to find that you had done an increased business without a precisely corresponding increase in the number of persons employed?—Yes.

717. There would be some increase in the number of persons employed; but you would expect to have a larger business without an increase in the number of persons employed precisely corresponding to the increase in business, would you not?—I should assume that.

718. A considerable proportion of that increase is due, in your opinion, to the improved scales of pay?—Yes.

719. I will take next the conveyance of mails, and there I observe only a very slight increase in the per-centage of gross revenue in relation to the expenditure; in fact, in the case of the conveyance of mails, the per-centage remains almost a fixed quantity; that is so, is it not?—Yes.

720. Then if you take the packet service, there is a considerable reduction in the per-centage, I see?—Yes.

721. Can you explain the cause of that reduction?—We have been able to make better contracts with the different lines of steamships.

722. And on the whole you attribute the reduction there to improved contracts under cheaper modes of transit at lower charges under the increasing competition of steam vessels in modern days?—That, I think, is the reason.

723. Mr.

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[Continued.]

723. Mr. *Dixon-Hartland*.] I see the law charges in the 10 years have nearly doubled; is there any reason for that?—The reason of that is that we have had to buy so many sites for buildings for the extension of the business, necessitating legal costs.

724. Does this sum of 166,200 *l.* for sites and buildings include the new building on the north side of the General Post Office?—Part of that was paid for in the preceding year.

725. The sum voted last year, together with the sum this year, clear off the cost of that new building, do they?—Yes; it will all be included in those two items.

726. So that there will be no more money asked for for that site?—Not for the General Post Office, North.

727. Mr. *J. F. X. O'Brien*.] With regard to the packet service, does the figure for extra receipts affect the figure put down here in any way; for instance, taking 1887-88, should there have been any allowance for extra receipts in that year?—The honourable Member will see that the amounts for the present year are given in two different ways; the first one showing the amount recovered on account of packet services, formerly taken as extra receipts, and now treated as Appropriations in Aid, and the next showing the amount without the Appropriations in Aid.

728. I am referring to the year before that; should there be any allowance made for extra receipts in that year, or does this table show the net figures after deducting the extra receipts?—The extra receipts were not deducted in any preceding years.

729. So that practically those figures are not to be compared with the later figures?—Yes, they compared with the last item where the extra receipts are not shown.

730. The last item shows the figures, less the Appropriations in Aid?—Yes.

731. In fact, it allows for the full amount of the Appropriations in Aid being deducted?—Yes.

732. Whereas the figure for 1887-88 does not show any credit for extra receipts?—No.

733. Would it not be desirable to show in the expenditure for the Post Office the cost of stationery?—It is shown in the Appropriation Accounts. At the end of the Appropriation Account the Comptroller and Auditor General appends a statement of all the expenditure incurred for the Post Office by other departments.

734. At the same time would it not be desirable to show what might be to the credit of the Post Office for waste paper?—I presume the amount shown as incurred by the Stationery Office there is the net amount, but I cannot say for certain.

735. Would it not be a desirable thing if we could have a statement showing the working cost of the Post Office, per letter, or per newspaper, or per weight, or both; we do not now know whether the working cost is increasing in a higher proportion than the amount of work done?—We take no count of letters or newspapers. The amounts inserted in the Postmaster General's Annual Report are only stated as estimated amounts, and are by no means to be taken as facts upon which to base any calculations which would be at all reliable.

736. Mr. *Mowbray*.] The law charges in this paper are exclusive of the solicitors' offices in the different post offices, are they not?—No, they include the expenses of the solicitors' office with the exception of salaries. There is only one solicitor to the Post Office attached to head-quarters in London, one in Dublin, and one in Edinburgh.

737. But the expenses for the solicitors' offices in each case are in addition to the 11,395 *l.*, the figure given here for law charges?—Yes, those expenses are shown under the head of salaries and wages.

738. Would it not be more convenient to show all the legal expenses of the Post Office under one head?—I believe this has been adopted as the most convenient course generally. I think it was at the instance of the Public Accounts Committee that the present arrangement was adopted.

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[Continued.]

739. Mr. *Dixon-Hartland*.] Is the 11,395 *l.* incurred in places where you have no law advisers, or does it include permanent law advisers?—It includes all manner of expenditure in the matter of law charges, either in respect of arbitrations or for counsel, or for prosecutions in the country; it is always controlled by the solicitor to the Post Office.

740. Why are not those charges included in his bill instead of being put separate?—He renders no bill; he is paid by a fixed salary as is shown on page 65 of the Estimates; but he has to incur certain expenses for those different objects, which I have mentioned.

741. Mr. *Jackson*.] I should like to ask you two or three questions for the sake of getting some figures upon the notes. Turning to Table No. 9, will you give us the amount of the gross revenue in 1881-82?—It is 7,302,201 *l.*

742. What is the expenditure in that year?—£. 4,305,373.

743. What is the net revenue for that year?—£. 2,996,828.

744. And the per-centage of expenditure to gross revenue?—58·96.

745. Now will you give us the gross revenue estimated for 1888-89?—The gross revenue, including extra receipts, is 9,324,878 *l.*

746. What is the expenditure as estimated for this year?—£. 6,468,526.

747. What is the net revenue for this year?—£. 2,856,352.

748. And what is the per-centage of expenditure to gross revenue?—69·36.

749. The figures you have given show that the gross revenue for 1888-89 is about two millions more than that for 1881-82; that is so, is it not.—Yes.

750. And that the net revenue in 1888-89 is about 140,000 *l.* less than in 1881-82?—Yes.

751. So that the increase in gross receipts of two millions is entirely swallowed up by the increase in the working expenses?—Yes. I am reminded that in 1881-82 there was not included the charge for the manufacture of stamps, which is now included in the Post Office Vote.

752. What does that amount to?—It is over 100,000 *l.*

753. Turning for a moment to Table No. 1, the large item of increase appears to be in salaries and wages?—It is.

754. Will you state what is the amount of salaries and wages in 1881-82?—£. 2,167,727.

755. What is the estimated amount for 1888-89?—£. 3,441,657.

756. That shows an increase in salaries and wages of nearly 1,300,000 *l.*, does it not?—Taking it roughly, that is so.

757. Now going back to Table 9, will you tell us what is the increase in the estimated gross revenue in 1888-89 as compared with 1887-88?—£. 134,518.

758. Then turning to Table 1, will you tell me the increase in the estimated amount of salaries and wages for 1888-89 as compared with 1887-88, in round figures?—It is about 200,000 *l.*

759. Therefore the estimated increase upon the one item of salaries and wages for 1888-89, as compared with 1887-88, is more than the total estimated increase in the gross receipts in those two years; the estimated increase in the gross revenue in 1888-89, as compared with 1887-88, being, as you have told us, 134,518 *l.*, while the estimated increase in the salaries and wages is very nearly 200,000 *l.*?—Yes. The Accountant General informs me that the actual expenditure under salaries and wages for 1887-88 will be about 40,000 *l.* more than is here shown; consequently the increase as between the two years would be diminished to that extent.

760. That is to say, it would be diminished to that extent if the like occurrence did not take place in 1888-89; but will there not be a similar increase this year?—A large number of revisions of establishments, wages, and so on took place in 1887-88, which threw out the Estimate for that year, and that will not be repeated in 1888-89.

761. I thought you told us the other day that in your opinion the increases which have been given, and the alterations of scales which have been made a few years ago, have, in your opinion, not yet reached their mean?—Yes, that is quite true.

762. Therefore

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762. Therefore for some time to come the expenditure may be presumed to grow more rapidly than the increase of revenue?—Yes.

763. Let me put it in this way: supposing your gross revenue did not increase, but remained stationary, your salaries and wages would continue for some time to grow?—Yes.

764. And it may be, and I hope is as you anticipate, that the increase of expenditure will not prove to be so large over the Estimates of 1888-89 as it proved to be over the Estimates of 1887-88; still as a matter of comparison, probably the figures there are not very far out?—Probably.

765. Mr. *Brunner*.] Could you give the Committee the weight of letters carried, or the number of letters carried in the year?—If the honourable Member means in the whole business of the Post Office, I could not.

766. If I recollect rightly, I have seen in the Postmaster General's Report from year to year, an estimate of the number of letters carried?—Yes, but as I explained just now, that is a very rough estimate; the figure is simply given as a rough estimate; it is not at all a figure upon which any reliable financial conclusions could be based.

767. I have a better opinion of those estimates in the Postmaster General's Report than you have, and I think such an estimate would help to explain the rise in the per-centage of salaries and wages to gross expenditure, from 28.93 in 1880-81 to 36.91 in last year; could you give us that estimate?—I could give the estimated number of letters carried, as is given in each succeeding Report of the Postmaster General; but that is only an estimated amount founded on a very short counting of letters once a year.

768. With regard to the law charges, may I take it that as much of the work as is possible is done by salaried officers all over the country?—Yes.

769. Do you pay stamps upon conveyances of property which you buy?—No.

770. Does the item of conveyance of mails include the cost of the carriage of parcels?—No, that is paid for in another way, as I have already explained, namely, that 55 per cent. is deducted.

771. Mr. *John Ellis*.] With regard to the questions which have been asked you by the Secretary of the Treasury as to a comparison of different years, may I ask, can you assure us that the figures in these Tables relate precisely to the same circumstances; are we comparing like with like all down the column?—Yes, with the exception of the last two lines, where the reason for the difference is shown.

772. My question is, is there any circumstance not disclosed on the face of this paper which vitiates the comparison between one year and the other?—There are, of course, facts which are not mentioned in the Table, such as the introduction of different rates, the addition of different classes of business, such as the Parcel Post, and things of that kind, which affect the result.

773. A good deal of argument may be founded on the figures which the Secretary to the Treasury has been asking you about, and it is of vital importance that we should know whether we are comparing precisely the same things, or whether some heads of charges have been struck out, or others entered in the various years which are not disclosed in this Table?—I think the amounts there compare like with like as regards the actual figures.

774. Of course there have been alterations in the service from time to time, which we should get at by examination, or other ways, and I am not referring to those; but what I am asking is this: are we in these Tables comparing the same heads of accounts, precisely like with like, except for the alterations which are disclosed in the notes?—Yes.

775. Mr. *Richard Chamberlain*.] When you stated, in answer to a question put to you by the Secretary to the Treasury, that the increase in the estimated gross revenue in 1888-89, as compared with 1887-88, was 134,518 *l.*, may I take it you arrived at that figure by deducting 9,030,000 *l.* from 9,164,518 *l.*?—Yes.

776. Does not the 9,030,000 *l.* include Extra Receipts?—Yes, it includes Extra Receipts. The second column of Table I. is headed, "Gross Revenue, including

including Extra Receipts," and that applies to the whole column, with the exception of the penultimate item.

777. But the 9,164,518 *l.* does not include Extra Receipts, does it?—It does not.

778. Therefore, the comparison between those two figures is entirely vitiated to the extent of 160,360 *l.*, is not that so?—That is so.

779. Therefore, in making a comparison between the increase of Expenditure on Salaries and Wages in 1888–89 over that of 1887–88, and the increase of Gross Revenue in 1888–89 over that of 1887–88, you must add 160,360 *l.* to that 9,164,518 *l.*, and compare that result, namely, 9,324,878 *l.* with the 9,030,000 *l.*?—Exactly; that would be the proper method of comparison.

780. Can you explain why we have in the last line of Table I. the Estimates for 1888–89 repeated, without the addition of the Appropriation-in-Aid?—I am unable to explain that. The returns are prepared in obedience to orders from the Treasury.

781. Mr. *Henniker Heaton*.] The questions which have been put to you bring us back to the question I asked you on Wednesday, that is to say, whether there is a decreasing profit in the Post Office; have you any further information to give upon that point?—Certainly, the net revenue of the Post Office is not increasing; that is to say, the expenditure is increasing at a greater rate than the revenue is increasing, owing to the causes which I mentioned on the first day the Committee met; that is to say, the improved salaries and wages given, the demand for constantly improved facilities, convenience to the public, and the pressure that is put upon the Post Office, both in the House of Commons and out of it, for improvements of all kinds; and, in some instances, charges being thrown upon the Post Office which are hardly proper to it.

782. You gave some information with regard to paying out of revenue money for sites and buildings required; does that affect the net revenue to any great extent?—Very considerably.

783. Is there given in these tables the total sum you have paid for sites and buildings during the last 10 years?—Yes, it is given on this Table 1, towards the end.

784. I find that 166,200 *l.* is stated as the amount?—Yes, that is the estimate for next year; 304,442 *l.* for the year 1886–87.

785. That amount is increasing at a very high rate as compared to 10 years ago, is it not?—Yes.

786. With regard to the cost of the packet service in this table, are you aware what the practice of France and Germany is in regard to charging for the packet service, as to whether they charge the Post Office or not?—No.

787. Are you aware that the French Government pay 160,000 *l.* a year for the mail service to Australia?—I have heard that such is the case.

788. Their Post Office receipts must be very small, must they not?—I fancy so.

789. You are also aware, are you not, that the German Government pay large sums as subsidies?—I believe so.

790. In a previous Post Office Report the following passage occurs: "The claim that the Post Office should be charged with the whole expense of this packet, or ocean service, must be considered as barred by the simple fact that few of the mail packets were established either by the Post Office or for merely postal purposes, their expense being far beyond what such requirements would justify. To assume that those packets were really established for Post Office purposes is to charge the Government with the most absurd extravagance. The West Indian packets, for instance, were established at a cost of 240,000 *l.* per annum, though the utmost return that was expected from letters was 40,000 *l.*, leaving the 200,000 *l.* a clear deficit." Do you always charge the packet service to the Post Office here?—No, for many years it was charged against the Admiralty Votes; but that is a long time ago.

791. Can you tell us about what year they commenced to charge the Packet Service to the Post Office?—It was about 1858, I believe.

792. Are you aware that a Report of a Select Committee was brought up with

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[*Continued.*]

with regard to this Packet Service, recommending that a fair proportion should be charged to the Admiralty, and a fair proportion to the other Vote, and that only the mails should be charged for the actual cost of transmission?—I do not remember that Report myself.

793. There has been nothing done, has there, in the direction of transferring the Votes in that way?—No, it is rather the other way.

794. *Chairman.*] Can you give the Committee the figures year by year from 1881-82 to 1888-89 of the salaries and wages of the total staff of the Post Office, including all ranks?—I could do so.

795. Will you furnish us with such a statement at our next meeting?—Yes.

Tuesday, 24th April 1888.

MEMBERS PRESENT:

Mr. Arthur Acland.
Mr. Preston Bruce.
Mr. Brunner.
Mr. Richard Chamberlain.
Mr. Dixon-Hartland.
Mr. John Ellis.
Mr. Hankey.

Mr. Henniker Heaton.
Mr. Jackson.
Mr. Mowbray.
Mr. J. F. X. O'Brien.
Mr. David Plunket.
Mr. Raikes.
Mr. Stansfeld.

THE RIGHT HON. JAMES STANSFELD, IN THE CHAIR.

SIR STEVENSON ARTHUR BLACKWOOD, K.C.B., re-called ; and
further Examined.

796. *Chairman.*] You were asked to furnish certain documents and information to the Committee on the last occasion ; have you got the information with you ?—Yes. A question was put to me about the method in which the waste paper of the Post Office is disposed of ; I beg to say in reply, that the ordinary waste paper from the several departments of the Post Office is collected and sent to the Stationery Office in bags or parcels. The number of bags, &c. so sent is acknowledged by the Stationery Office, and a record is kept there of the weight of such paper. Certain descriptions of confidential waste papers are sent direct from the Receiver and Accountant General's Office to the mills at Snodland to be pulped in the presence of an officer of the Department. An accurate account of the weight of such paper is kept in the office. This paper is paid for at the rate of 3 *l.* 5 *s.* and 6 *l.* per ton respectively. The higher rate is given for paper of a better description.

797. *Mr. Henniker Heaton.*] And the amount is credited to whom ?—It is credited to the Stationery Office. A portion of it, however, that which relates to postal orders, is credited to the Post Office.

798-9. Is only that which relates to the postal orders so credited to the Post Office ?—Yes.

800. Have you ascertained the amount of such waste paper in the year, and its value ?—No, I do not think I was asked to give the amount.

801. *Mr. J. F. X. O'Brien.*] Do you say that part of the paper was put to the credit of the Post Office ?—Yes, for postal order forms.

802. But not the bulk of the paper or letters, as I understand ?—Not the bulk of the paper.

803. *Chairman.*] Have you any other information which you wish to furnish in answer to questions put to you on the last occasion ?—Yes ; an honourable Member asked me a question about the amount of overtime work, and in reply I beg to say that it would not be possible, without serious labour and expense, to ascertain even approximately the total amount of overtime work performed during the past financial year. In the course of the past week, however, I have called for a return from several large provincial offices, and I hope shortly to be able to give the information required as regards those offices. Then upon another point the Chairman asked me for a return of the total number of persons employed by the Post Office during each of the years from 1878 to 1887, distinguishing

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[Continued.]

distinguishing as far as possible those holding appointments direct from the Postmaster General, and thus filling established situations, from those filling unestablished situations, such as assistants to postmasters, and others, many of whom are employed for one or two hours only each day on small rural deliveries. I have here the numbers for the consecutive years, which I can read if the Committee wish it.

804. *Chairman.*] Will you do so, if you please?—In the year 1878-79 the established were 39,500, and the unestablished 31,000, making a total of 70,500; for the year 1879-80 the established were 40,000, the unestablished, 33,000, making a total of 73,000; for the year 1880-81 the established were 40,000, and the unestablished were 35,000, making a total of 75,000; for the year 1881-82 the established were 42,000, the unestablished were 37,000, making a total of 79,000; for the year 1882-83 the established were 44,000, and the unestablished were 39,000, making a total of 83,000; for the year 1883-84 the established were 44,667, the unestablished were 41,022, making a total of 85,689; for the year 1884-85 the established were 46,216, the unestablished were 44,968, making a total of 91,184; for the year 1885-86 the established were 48,185, the unestablished were 47,368, making a total of 95,553; for the year 1886-87 the established were 51,495, the unestablished were 44,792, making a total of 96,287; and for the year 1887-88 the established were 54,851, the unestablished were 47,110, making a total of 101,961.

805. Is there any other point upon which you were asked to furnish information?—With regard to the question of the contracts made by other Departments for the Post Office, in reply to some questions from an honourable Member, I have taken the liberty of correcting my evidence so far as relates to contracts made for clothing by the War Office. They are made with the approval of the Postmaster General, and we have copies of those contracts. But the other contracts are as I said before.

806. *Mr. Brunner.*] That arrangement has been made with the approval of the Department, has it?—Entirely.

807. Therefore the Department has considered it advisable in the interest of the public service that the Department should be informed of the details of this contract?—Yes.

808. Are you, nevertheless, still of opinion that, involving as the matter does practically no work at all, you would not recommend that the particulars of all other contracts for the Department should be communicated to you?—Yes, I adhere to that opinion, so far as relates to the contracts for stationery and the contract for the supply of stamps by the Inland Revenue Department. There would be no advantage that I can see in having all the particulars. The Inland Revenue, as I said, consult us with regard to the colours and the forms, and so on, of the stamps, but I see no advantage in having the particulars of the contracts.

809. As a matter of principle, what difference is there between the contract for clothing and the contract for stamps, and the contract for stationery?—The two cases are, I think, very different. The supply of clothing, of hats and coats, and so on, for our men is of a different character from the supply of stamps, the articles have to be distributed personally, and really affect very much the convenience and comfort of the Department in the performance of its work. As regards the stamps, if we are satisfied that they meet the requirements of the Department in respect of shape, size, and distinguishability, they do not affect us any further.

810. How is the supply of stamps to the provincial offices conducted?—The postmasters obtain them direct from the Inland Revenue Department, the Post Office informing the Inland Revenue Department as to the maximum value to be sent to each office.

811. Have you never had complaints that the provincial postmasters were short of stamps?—We have had complaints sometimes from the public; that happens occasionally, but very rarely I think.

812. I do not know whether it is a very rare occurrence, taking the whole country together, and considering the whole number of post offices, but it has happened

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happened to me several times; do you not consider that it would be well that the distribution of stamps should be more in your hands?—No; I should think that so long as the stamps are manufactured under the control of the Inland Revenue Department, and are in their stores, it would lead to duplication of the work if our Department intervened.

813. I quite go with you as far as that is concerned. You are not of opinion that the work would be more intelligently done if your Department were fully informed of all the work that is done by the other Departments for yours?—No, I do not think it would. We certainly could not intervene with any advantage to the State in the arrangements of the Stationery Office for the supply of their stores, and the Inland Revenue Department have a staff of technical officers so fully versed in all the details of the manufacture of stamps that, unless they were transferred to the Post Office, we could hardly do the work; and if we had a separate set of technical assistants at the Post Office, it would be a duplication of staff.

814. Mr. J. F. X. O'Brien.] I wish to ask you one question bearing upon those figures of the stamps, and the number of employes. Could you ascertain in any way whether the increase in the work is proportionate to this increase of the staff. I have, for instance, before me a Table showing the number of parcels carried; could we have a return of the number of letters carried, prepared on the same lines?—The Postmaster General gives every year in his Report to the Treasury, which is presented to Parliament, the estimated number of all articles carried by the Post Office.

815. I think you said on a previous occasion that that Return was by no means accurate, but that it was a very rough guess?—It could only be that under any circumstances.

816. I see in this return, for instance, the number of parcels is set down very distinctly as 36,731,786 for the year 1888?—That is because every parcel is the subject of distinctive treatment, and we have to pay the railway companies the proportion of the stamp on each parcel. That, of course, is not necessary with regard to letters, post cards, circulars, and newspapers; and it would be an extremely expensive plan to carry out.

817. Do you think it would be so expensive as to make it an undesirable experiment?—I do.

818. Could you have the number of letters at every country post office and every branch counted?—They are counted during one week in every year, according to a certain method of selection of offices, and it is by a multiplication of the result of these countings that we arrive at the rough estimate of the total amount of the work done by the Department; but that system, of course, involves extra labour at each post office.

819. To a person not knowing anything about the routine of a post office, it would not appear a very difficult thing to have the letters counted daily?—Perhaps the honourable Member has never witnessed the process of sortation and dispatch of mails at a large post office.

820. I have not. I think it would be desirable to ascertain, if we could, whether the work done bears some proportion to the increase of the staff and the cost; could you give us any information upon that?—That can be, of course, roughly gathered by comparing the estimated numbers in the successive Reports of the Postmaster General with the total cost of the Post Office in each year. I beg to hand in a comparative statement of the total number of letters, &c., delivered in the United Kingdom during the year ending the 31st of March 1879, and every subsequent year to the 31st March 1889 inclusive; and also of the number of parcels since the commencement of the Parcel Service; remarking at the same time that all the figures, except those of the parcels, are based upon the rough estimate which I have described (*handing in the Statement*). The Estimate for the years ending 31st March 1888 and 31st March 1889, is based upon the assumption that the rate of increase between the year ending the 31st of March 1886 and 1887, will be the rate of increase between the year ending 31st March 1887 and March 1888, and between the year ending 31st March 1888 and 1889.

821. *Chairman.*]

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821. *Chairman.*] Have you any further information to give in answer to questions put to you on the last occasion?—I was asked to give some details as to the duties of the officer whose salary is provided for at page 119 of the Estimates, under the head of "Packet Establishments," that is the commander at Dover; I now beg to state that the functions of this officer are twofold, naval and civil. As a naval officer he is under the immediate orders of the Admiralty as to superintending the embarkation and landing of troops and stores. There are probably other kindred duties, but of these the Admiralty alone can furnish full particulars. As a civil officer he is under the orders of the Post Office. Under his personal control are the three marine mail guards, who daily accompany the mails to and from Calais, and who keep a journal of the voyage and render an exact account of the minute at which the mails are embarked, and of the minute at which the last bag is landed on the other side. To ensure perfect regularity in the important international mail service, on which depends mainly the due arrival of mails at all the great European centres, the penalty clauses of the Dover and Calais Mail Contract are made very stringent, and the slightest delay is met by a penalty. It is necessary, therefore, to have all sailing returns prepared with perfect accuracy, and capable of verification in case of a dispute with the contractors. In these matters the state of the tides and weather is an important element of consideration; and a naval officer is employed on these duties, as being best qualified to advise the Post Office rightly whether a penalty should be enforced or not. All these sailing returns are prepared and signed by the superintendent of packets, whose duty it is to note any deviation from the contract, and, if necessary, to report to the Post Office on the subject, in order that the contractors may be called upon for explanation. The returns are sent to London daily for official examination and record. It is the duty of the superintendent to see that the mail boats are always efficiently provided and manned, and that a secure place is provided for the mails on board; also the proper boat accommodation and means for extinguishing fire are provided; and to this end he is required to make the passage across the Channel from time to time, to satisfy himself on these points. These duties are important and must be performed by someone capable of advising the Post Office on each question as it arises. The three marine mail guards and the two boatmen who assist in the embarkation and landing of mails, and also in maintaining order on those parts of the pier where the embarkation and disembarkation take place, report themselves to the superintendent, and he is responsible for their punctuality and good conduct. In such duties a sharp personal supervision is necessary, and can be maintained most effectually by a superior officer residing on the spot. The necessity for this officer's services is to a great extent inherent in the exceptional nature of the contract packet service between Dover and Calais; and the contract is one which it is not thought desirable to disturb at present. I may also add, perhaps, that the Postmaster General was so satisfied that an addition was made to this officer's duties by the circumstances of the parcels post, that he recommended to the Treasury that his present salary should be increased by 25 *l.* a year, and the Treasury, having satisfied themselves that that was a proper addition, agreed to it.

822. *Mr. Richard Chamberlain.*] The statement which you have just read as to the services of this officer, and as to the peculiar nature of the contract, rather bear upon the question which I put to you as to the very large amount of the payment made on that service in the shape of premiums for quick passages?—Yes.

823. Then, in addition to the large payment under this contract between Dover and Calais of 10,100 *l.* and 3,100 *l.* for excess of premiums over penalties, there is also a considerable sum for expenses incidental to the appointment of this commander superintendent. I suppose the expenses of this officer, his allowance for lodging, and his allowance for victualling, and his special allowance, would be abolished, but I do not know whether the messengers and porter, and two boatmen, and substitutes for officers absent through illness, which are down here in the Estimates, would be abolished if this appointment were done away with. The expenses of this officer, taken in connection with

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those for messengers, boatmen, and so on, do seem to be a very heavy charge when we consider that all the important service across the Atlantic, for instance, is performed without any such officer being employed, and all the inspection of appliances for the prevention of fire in the case of the Atlantic voyages is dispensed with, though it seems to be necessary in the case of a voyage across the Channel. Have you anything to add to your statement upon that point?—No.

824. It is difficult for a layman to express an opinion upon the point, but I must say that I do not quite agree with the statement that you have read?—It has always been considered that the nature of the Channel service, its extreme frequency, and all the circumstances connected with it, make it exceptional.

825. *Chairman.*] Is this appointment one of long standing?—Of very long standing indeed.

826. How long has the present commander occupied that post?—Since the Packet Service was transferred from the Admiralty to the Post Office; that was before my time.

827. About what date was that?—In 1858. We took over the present officer at the same time.

828. Then you found this officer there and took him over?—Yes.

829. The Post Office exercised no judgment upon the question of the necessity of his services?—I presume it did, but I was not there at the time, therefore I cannot say.

830. The present commander must be an old man, I presume?—He is no longer young.

831. Do you think it likely that the necessity of such an establishment would come under the revision of the Post Office, if there were to be a vacancy in the appointment?—The circumstances, no doubt, would be considered by the Postmaster General, but I am not at all in a position to say that the services of an officer of that kind could be dispensed with.

832. You can form no opinion upon that subject one way or the other?—Not at present.

833. *Mr. Dixon-Hartland.*] This statement which you have handed in does not appear to answer any of the questions which I asked you on the last occasion. In the first place, it does not answer my question as to what are the officer's duties in being on the pier. I asked you whether he was ever down on the pier, but the paper which you have read says that a report is made to him by others; from what appears in that statement the report could just as easily be made to him in his house, or in London, as on the pier at Dover; and what I asked was, whether he is actually down on the pier or not?—I think I stated on the last occasion that he was frequently on the pier.

834. I understood you to say that you would make inquiries and find out whether he does actually go down to the pier?—I do not remember saying anything of that kind.

835. I believe, from my information, that he is not on the pier, and that the report is entirely made to him at his own house; would you ask for information about that point; then I see that the Estimates allude to a messenger, a porter, and two boatmen, as being employed by him, but according to your report he has three marine mail guards to assist him, who, I suppose, belong to the railway company, and keep with the mails; is not that so?—My information is, that there are three marine mail guards and two boatmen, who assist in the embarkation and landing of mails.

836. And the mail guards belong to the railway company, I presume, and do not belong to the Post Office?—They belong to the Post Office.

837. Where are they charged for in the Estimates?—They are charged for under Sub-head G. 21.

838. That is not included in the assistants charged for under the Packet Establishment Allowances?—No.

839. Then he says that two boatmen also assist. There is a messenger and a porter allowed for in the Estimates. What is the use of those men?—I am
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unable to say from personal observation exactly how those boatmen are employed, or what are the exact duties which they perform.

840. Would it not be the business of the Department to find out whether they are not paying that large sum of money for nothing?—I believe the Department has satisfied itself that the duties are performed, and that the duties are necessary; as necessary as the duties of the commander superintending.

841. Can you give us a little more information upon the subject, because I am not at all satisfied about this Vote, and I shall bring the matter up in the House when the Vote comes on?—If the Committee wish it I can get further information. Perhaps the honourable Member would state the exact nature of the information which he wishes for.

842. I want to know whether this gentleman is so old that he does not do his duties at all, and whether it is not a mere farce, and that he goes down to the pier only in fine weather, and at other times the report is made to him in his own house; that in fact these men are not necessary?—I am in a position distinctly to contradict anything of that kind.

843. I want to know if that is the fact?—I believe it is not the fact.

844. Will you find out that information for the Committee, because this statement which you have read only gives such duties as can apparently be carried on just as well at a distance, in London, for instance, as in Dover?—I am not aware that the Department can add anything to the information which I have given.

845. That information does not state whether it takes any personal superintendence or not?—I am in a position myself to state that he is frequently on the pier, having seen him there myself.

846. Mr. *John Ellis*.] In the answer which you have given with regard to this gentleman, you mentioned some penalties for want of punctuality, which were very considerable, as I understand?—Yes.

847. Referring to Question 702, did you not say that 1 *l.* premium is added to each 3 *l.* of payment for the service?—That would be the result of the calculation, I think.

848. Then does not that show that whatever the penalties may be, the companies are easily able to obtain that proportion of premium?—Yes, that may be deduced from it. At the same time I should like it to be understood that, as I have said already, in my opinion it would be exceedingly undesirable to disturb the present contract.

849. Mr. *Richard Chamberlain*.] May I ask what is the age of the commander superintending at Dover?—It is believed to be about 70.

850. Mr. *Dixon-Hartland*.] Is not that gentleman nearer 80 than 70?—I should think not to look at him; he looks very hale and hearty.

851. Mr. *Henniker Heaton*.] Bearing upon that point of 1 *l.* premium to every 3 *l.* paid on the contract, I should like to ask how long has that contract been in existence, and when will it terminate?—The date of the contract is given at page 118 of the Estimates. It is dated 25th of March 1878.

852. And when will that contract end?—It is terminable by notice on either side.

853. Is it a short notice?—It is a twelve months' notice.

854. *Chairman*.] Have you any more documents which you wish to hand in?—Yes. The honourable Member for Canterbury asked me to state the cost of the Australian mail service under the old and under the new contracts. Under the old contract the share of the Peninsular and Oriental Eastern Subsidy was 70,000 *l.*, and the payment to the same Company made by Victoria, 85,000 *l.*; and to the Orient Company by New South Wales 62,000 *l.*, making a total of 217,000 *l.* The new contract is for the gross sum of 170,000 *l.*

855. You paid 70,000 *l.* under the old contract, I understand?—Yes.

856. And now you are paying what?—The gross sum of 170,000 *l.*, of which the Imperial Government has to pay 95,000 *l.*

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857. You

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857. You are paying 25,000 *l.* a year more now than under the old contract, as I understand, that is to say, the difference between 70,000 *l.* and 95,000 *l.*?—Yes.

858. How do you calculate that 70,000 *l.* which you paid under the old contract?—That amount was ascertained upon the amount of mails carried, the distance, and the frequency of the service.

859. As a matter of fact, the vessels that carried the mails for which you charged the Government 70,000 *l.* are going to the same place, namely, Ceylon, to-day, are they not?—Yes.

860. They are performing the service now quite independently of the fact that the Australian Mail Service has been taken from them?—Yes.

861. That 70,000 *l.* is merely a calculation of the Australian share?—Yes.

862. And while you have lost that 70,000 *l.*, you are now paying 95,000 *l.* for an independent service?—For an independent service.

863. There is just one other point with regard to this item which can be cleared up in a moment; you will notice in regard to the Australian Mail Service and the Indian Service, that part of it is across the Continent; you stated, I think, that Parliament had to a certain extent control over that charge, because it was submitted in the Finance Accounts?—Yes; that brings it to the knowledge of Parliament after the facts have occurred.

864. Will you point out on page 19 of the Finance Accounts where the details are given; for instance, the item of 100,000 *l.* for taking the mails to Brindisi, where is that?—It is included, but not specifically stated, in the last item in the first statement on page 19 of the Finance Accounts for the year 1886-7.

865. Will you read it?—"Postage collected by Great Britain for credit of Foreign Offices, 211,287 *l.*"

866. But what I ask is this: what is the amount which you pay to France and Italy for the conveyance of the Indian and Australian mails, and in what part of the Finance Accounts that payment, which has been going on for 10 years, was submitted to Parliament?—That amount is included in the amount which I have just read.

867. It is called in the Finance Accounts, "Postage collected by Great Britain for credit of Foreign Offices"?—Yes, because it is so. It has to be paid over to them.

868. But what I am asking about is the 100,000 *l.* a year paid for conveying the English mails for Australia and India from Calais to Brindisi; that is not "Postage collected by Great Britain for Foreign Offices"?—It enters into that item. That is the proper way of describing it. It is postage collected from the public on each letter, a portion of which is handed over to the French and Italian post offices for the conveyance of mails across the Continent in special trains. That I should consider to be fairly described under the words in the Finance Accounts which I have quoted.

869. How can Parliament form any notion from the Finance Account that that money is for the conveyance of the Australian Mails in closed bags, or that 100,000 *l.* paid is for that, and that has been going on for some years at from 60,000 *l.* to 70,000 *l.* a year?—I am not aware that it was ever considered necessary by either the Treasury, the Postmaster General, or the House of Commons that it should be specifically brought to their notice.

870. There is nothing here about the cost of railway conveyance across the Continent; this item says, "Postage collected by Great Britain"?—Quite so.

871. As a matter of fact, Parliament has this special item in no sense submitted to it?—It has not. The honourable Member also asked me to ascertain the total receipts from mail matter sent to places abroad. In regard to that I may say it would be necessary to take special returns, which would occupy much time and involve very considerable expense. I do not know whether the Committee wish that expense to be incurred; it would be very serious.

872. If the Committee do not wish to incur that expense, then we shall continue in ignorance whether the Packet Service is paying or not; and as to the amount

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amount of money received from the public for letters sent abroad. That is the conclusion, is it, that you suggest, that we must put up with this ignorance; that we are unable to find out whether this large sum voted annually for the Packet Service is to any extent refunded to us?—It can be found out.

873. By going to this expense?—Yes, by this expense.

874. Mr. *John Ellis*.] Have you formed any idea of the expenditure which would be necessary, when you say it is very serious; have you any figure in your mind?—Indeed I have not; it would be very large.

875. Mr. *Henniker Heaton*.] Let us try to get at it by a few questions; have you given me a statement of the receipts from the American postage?—I believe the Postmaster General has furnished the honourable Member with one.

876. Have you given any return of the receipts from the Australian postage?—I believe a rough estimate of the weight of the Australian mails was supplied to the honourable Member.

877. Now coming to India, can you tell in any week the number of mail bags containing letters and newspapers to India?—Yes.

878. Then it would not involve any great expense to give a return as regards India and the East and Australia; you could furnish those three estimates, could you not?—An estimate of the weight, certainly.

879. Judging from the number of letters to the pound and the number of newspapers to the pound, you could estimate the number from the weight?—Yes.

880. Therefore, as to the American, the Indian, and the Australian mails, there would be no great expense in furnishing the amounts, would there?—No; there would be no particular expense in furnishing an estimate of the weight.

881. If you will get that estimate for the Committee they will be very glad?—I will furnish that.

882. There is just one more return which I asked for, and which I think would be very interesting, namely, the number of mails which you send every night to the Continent, the weight of letters and the weight of newspapers, independent of the great mails that we have spoken of, which merely pass through the Continent on their way to Australia and India; could you furnish such a return?—That could be done, but it would be very troublesome and inconvenient; inasmuch as everything connected with the continental mails has to be done at the very highest speed, and any operation like that of ascertaining the weight of the mails would seriously affect that dispatch.

883. If you put a man on the boat at Calais, could not the mails be weighed in the bags on board?—I doubt it very much.

884. The object which the Committee have is to see whether we gain or lose upon these 2½d. letters to the Continent?—I quite understand the honourable Member's object.

885. If you could give us such a return it would help the Committee to see whether there was a loss upon this enormous sum which is paid for the mails to the Continent?—I understand the honourable Member's point.

886. Mr. *Raikes*.] I should like to ask you one question on that. When you spoke of the great expenditure that would be involved in providing the return just asked for, you referred, I presume, to the careful labour and scrutiny that would be necessary to produce the accurate and reliable information which was sought for?—That is so.

887. Your answer of course had no reference to this rough and tumble way of estimating the letters by weight?—No.

888. *Chairman*.] Have you any other returns which you wish to put in?—An honourable Member asked me for information about absence arising from sickness, and the cost for substitutes, and I have had a return prepared for the year 1886, showing the average amount of absence for sickness per head, in the case of about 70 of the principal offices, comprising about 29,000 established officers, which may probably meet the desire of the honourable Member. It would be very costly and laborious to prepare even an approximate estimate of

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the cost of providing substitutes for sick absence. In some offices absence from sickness does not entail direct expense, as the work of the absentee is performed by his brother officers without any payment for overtime. In the case of the manipulative staff, for whom paid substitutes are provided, the officers absent from sickness suffer a deduction in pay, ranging from one-third to one-half of the wages, which of course lessens the cost of the substitute. I am unable to state how much the increase on the Vote 3, Sub-head A. 1, of 22,420 *l.*, will be applied to provide for sick absence, or how much for extra duty. The amount is inserted as an estimate of what would be required, judging by the past year, but it cannot be more specifically apportioned. Then to go to another point. The Secretary for the Treasury put to me some questions on Friday last with regard to Table 1. Question No. 759, which was put to me by the Secretary for the Treasury, implied that the estimated increase in the gross revenue in 1888-89, as compared with 1887-88, was 134,518 *l.*; while the estimated increase in the salaries and wages was very nearly 200,000 *l.*; and it therefore appeared that the estimated increase in the salaries and wages more than absorbed the increase in the gross revenue. But I omitted to explain then that the comparison of revenue ought to include the extra receipts, or rather, I should say, the Appropriation-in-Aid, which make the total increase between 1887 and 1888-89 £.294,878, instead of 134,518 *l.*

889. Mr. Jackson.] I would just like to ask a question upon that point; but before I go to that, as you have spoken about extra receipts, will you turn to Question 777, where you were asked, "But the 9,164,518 *l.* does not include extra receipts, does it," and you answered, "It does not." Now is that so; would it not be more correct to say that it does include extra receipts; but it does not include the item which is now dealt with as appropriation in aid, which is the extra receipts from the Packet Vote?—That is so.

890. But it does include the other extra receipts from savings banks and various other extra receipts, does it not?—Yes.

891. Now if you will kindly turn to Table 5, that is Post Office and Packet Service; that puts it in another form. This table shows the net expenditure with the extra receipts, and the item for the purchase of sites deducted from the expenditure, as shown in the Appropriation Accounts?—Yes.

892. Will you give us the estimated net expenditure for 1888-89?—£. 5,847,648.

893. That shows an increase of net expenditure of how much?—£. 231,537.

894. What is the estimated increase of revenue as shown by the Finance Accounts?—£. 150,000.

895. And therefore you have an increase of expenditure of 231,537 *l.* against an increase of revenue of 150,000 *l.*?—Yes.

896. Showing 81,000 *l.* of expenditure in excess of the increase of revenue?—Yes.

897. In the extra receipts column of Table 5 are included the extra receipts of all descriptions, including the amounts now dealt with as Appropriation-in-Aid?—Yes.

898. You have told us that the increase of revenue estimated for 1888-89 is 150,000 *l.*; will you tell us what the estimated increase for salaries and wages amounts to?—About 200,000 *l.*

899. And therefore, tested in another way, the result is that, as against an increased revenue of 150,000 *l.* for the year 1888-89, over the year 1887-88, you have an estimated increase in salaries and wages of close upon 200,000 *l.*?—Yes.

900. Mr. Raikes.] I should like to ask whether you could give us any Paper indicating how much of that increase has been what has been defined in this Committee as automatic, that is to say, as the result of Mr. Fawcett's scheme?—I think I was asked for something of the kind the other day, but it would be extremely difficult, if not impossible, to arrive at any accurate statement on that point, considering the facts that these establishments are increasing every year by reason of the ordinary increments, that they are being added to by payments rendered necessary by the increase of the work, and by the conversion of unestablished officers into established officers. I am afraid it would be almost impossible to give that.

901. What

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901. What I meant was rather this, without including that as part of any such return, would it not be possible to arrive at a calculation as to what had been the effect upon this item of salaries of the increased scales; I am not asking whether there should be investigation into the particular cases, but taking the fact that the scale of a particular class has been altered by a certain sum, and the maximum has been increased, and the minimum has been increased, and the mean has therefore been increased, what has been the effect of that upon the salaries generally of the established officers affected by that change?—I think I mentioned on the previous occasion that the increase of cost involved in the revision of 1881-82 was estimated to be at the mean of the scales about 320,000 l. a year.

902. Was that the estimate at the time?—I presume it was.

903. If that was the estimate at the time, that figure will have to be enlarged, having regard to the enlarged service?—Yes; I do not know if we have got to the mean of the scales yet.

904. Mr. Jackson.] May I ask you this question; you gave us the other day some figures with reference to the amount of the increased expenditure which had resulted from the changes made by Mr. Fawcett in the scales of payments?—Yes.

905. I did not quite gather whether the sums you gave us were the result of actual experience or were the figures as estimated?—They were the estimated figures.

906. I suppose when those changes were in contemplation an estimate would be made by the department as to the amount of increased expenditure which would result?—Yes.

907. Have you any knowledge as to how that estimate compared with actual experience?—The original estimate, with regard to the financial cost of the addition to the wages of the telegraphists and sorters, was originally 40,000 l. a year less than was subsequently ascertained to be probable, and that difference was explained to the Treasury at the time before the scheme was approved of; but no attempt has been made to check the accuracy of that estimate, as it was not supposed that any advantageous result would accrue from such an effort. The salaries are fixed; the salaries must continue to be paid, and whether they are a little more or a little less does not affect the estimate.

908. Might it not be of advantage (if the information could be obtained without much difficulty or expense) that when future charges are contemplated that knowledge as to the result of the estimated increase of previous changes should be before whoever was to deal with the question?—I do not think that there is any appreciable difference from the estimate likely to be apprehended. It is a mere matter of calculation what the increase at the mean of the scales of a certain establishment will be. Nothing can affect that calculation except increases to the establishments to which I have already referred, which are continually going on.

909. And may it not be affected in this way, by the alteration of the relative proportions of, say, the first, the second, and the third classes?—Certainly; such facts as these would always alter it.

910. Is it not the fact that the tendency in the Post Office is to diminish the proportions of, say, the second and third, to increase the proportions of the first class and second class as against the third class?—I hardly think that can be said. It becomes necessary, no doubt, in particular offices from time to time to strengthen the controlling ranks, the upper ranks, and for a time that would show a greater rate of increase than on the lower ranks, but I do not think that is the general tendency of the Post Office service.

911. Is the general tendency of the Post Office service to use a less proportion of unestablished men?—I can hardly say what the net tendency would be; wherever it is possible the unestablished force is increased, but it is often found that that unestablished force is unsatisfactory and is not productive of efficiency, and then the established force has to be increased.

912. Chairman.] I think you have the figures which you brought for me, showing the growth of the established and non-established staff; would you give

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give us the figures at the beginning and end of the 10 years?—Yes. The established force in 1878–89 was 39,500, and in 1887–88 it was 54,851; and the unestablished force in 1878–89 was 31,000, and in 1887–88 it was 47,110; the increase, therefore, in the established force for the 10 years was 15,351, and the increase in the unestablished force was 16,110.

913. Mr. *Richard Chamberlain*.] Will you give us the figures for 1879–80, because they compare with the tables which you have given?—For 1879–80 it was 40,000 for established, and 33,000 for unestablished, in estimated numbers. For the earlier years the numbers are estimated, but in the later years they are the exact numbers.

914. Mr. *Raihes*.] The percentage would come out from those figures that the addition to the established force has been something under 40 per cent., and the addition to the unestablished force has been about 50 per cent.; is not that so; that is, as between 1879–80 and 1887–88?—I have not worked out the percentage; it may be something like that.

915. Mr. *Henniker Heaton*.] Does that include the men employed in the parcel service?—Yes, in the later years.

916. Mr. *Jackson*.] But, of course, it does not in 1878 and 1879, because there was no parcel post then?—Quite so.

917. *Chairman*.] Did the alteration in the scale of salaries in 1881–82 apply to the whole establishment?—It applied only to certain classes, the sorters or sorting clerks, and the telegraphists and postmen.

918. Not the whole of the established officers?—No.

919. Now can you give us the numbers of these established officers to whom it applied at its commencement in 1881–82, and the numbers to whom it now applies?—Yes.

920. Have you got those figures by you, or would you have to furnish them?—It would take some time to get them out. I have not the figures here.

921. You cannot say anything as to the proportion of those two figures at present?—No.

922. Would the increase be nearly the same as a matter of proportion with that shown upon the total number of established officers?—I understand you to refer to the increase of the forces which were the subject of the revision.

923. Quite so; would that increase be in the same proportion as the total increase of the establishment between those years?—My view is that it would be larger, but I cannot say for certain.

924. What is the total increase which you debit to that change in the scale of payment in 1881–82 which you consider to have been added to the wages and salaries?—£. 320,000 was the estimate of the increase at the mean of the scales.

925. Mr. *Jackson*.] On the then business?—Yes, on the then staff.

926. *Chairman*.] That made no allowance for increase of staff?—No.

927. I understood you to say that the mean had not been reached yet?—I am not in a position to say absolutely that it has.

928. Have you not told us that the mean has hardly been reached yet?—That is my impression.

929. I presume that the increase is considerably more than 320,000 *l.* per annum?—Yes, it would be so, because of the additions to the force, and the increases in the upper ranks, and the conversion of unestablished into established force.

930. There have been additions to the force consequent upon the growth of the business, and there has been a comparative increase in the upper ranks, as I understand you?—Yes.

931. Mr. *Preston Bruce*.] Do we understand that this increase of scale brought in by Mr. Fawcett applied entirely to establishment men, and not at all to the non-establishment men?—Entirely.

932. Therefore, the whole of this increase of 320,000 *l.* and odd a year applies

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applies to the 54,000 men on the establishment, and none of it applies to the 47,000 men on the non-establishment?—Quite so.

933. I understand also that it applies now to only a portion of the 54,000, and not to the whole 54,000 men?—Yes.

934. And you are going to put before the Committee a statement showing what portion of that 54,000 it applies to; is that so?—Yes.

935. *Mr. Jackson.*] When the honourable Member uses the figure for the established force as 54,800, that, it must be remembered, is the number now, but the increase of salary to which you referred, the sum of 320,000 £. and odd, applies to the established force at the date of the revision, and not to the 54,800 men. When was the date of the revision?—In 1881-82.

936. *Mr. Preston Bruce.*] The point which I was anxious to get at was, what proportion of the establishment force this increase applies to, and I understand it does not apply at all to the non-establishment force, and it applies only to part of the establishment force?—Yes.

937. You will put before the Committee what that part is?—Yes.

938. *Mr. Richard Chamberlain.*] May I call your attention to another curious point arising out of Table 1, and that increase in the staff; the increase of revenue between 1879-80 and 1887-88 is 31 per cent.; the increase in the staff is 40 per cent., and the increase in wages and salaries is 65 per cent.?—Yes.

939. So that you are having a much greater number of persons to provide the same amount of revenue; would you kindly think that over, and see if you have any particular explanation, or any remark to make about it next time?—I should be very glad to make some remarks at present upon that point.

940. *Mr. Brunner.*] It is now seven years since the revision was made under Mr. Fawcett's régime, and I understand that you are not yet able to say that you have arrived at the mean; is the mean not arrived at in seven years?—It may, in some cases; but spread over the whole establishment, and taking into consideration additions to the staff from increase of business, I should say not.

941. It is besides the question of increase of staff, is it not?—It may be; but, as I said before, I am not able to speak with certainty.

942. What is, on the average, the length of time during which an officer's salary rises according to this revised scale in 1881-82; is it on the average more or less than 14 years?—It is very varying, but in no case is it as much as 14 years.

943. Then surely we must at least have arrived at the mean now?—It is possible.

944. In order to make clear what an honourable Member has just desired to know, would you consent to make for us the comparison, which I understand to be the wish of certain Members of the Committee, between the total amount as appearing by this return, which you have handed in to-day, of the total number of letters, &c., and the gross revenue; correcting that return by any items which you think ought to be excluded on the one side or the other; inserting, possibly, the 55 per cent. of revenue for parcels paid to railway companies, and excluding from the revenue, on the other hand, any increase in expenditure which you would consider to be what a man in private business would consider a capital expenditure; such as new sites and buildings?—I think that that could be done. It would be very similar to an account which will be shown to the Committee shortly in connection with the telegraphs when the Third Secretary is under examination, Mr. Patey; which is an account of the Telegraph Service prepared on what are considered to be strictly commercial principles; an account prepared with the sanction of the Treasury for a series of years, presented to Parliament for the first five years since 1876. Something of the same kind could be done with regard to the Post Office. I hardly think what has been suggested could be done with regard to the value of the sites of the Post Office over the whole country. It was possible to do it with regard to the Telegraph Service, because

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because that was a new service, and the Treasury agreed to the Telegraph Service being debited with a certain amount in respect of the portion of the Post Office buildings they occupied; but with regard to the buildings and sites which have been in possession of the Post Office from time immemorial, it might be rather difficult, impossible indeed, to create a charge which would exhibit a really commercial aspect.

945. *Mr. Henniker Heaton.*] In this return you give the number of letters delivered; could you give us any notion how many of these are foreign letters? —No.

946. You have no notion of what is the number of foreign letters received? —No.

947. Have you ever prepared such a return? —No.

948. *Mr. Brunner.*] There is a natural feeling of disappointment in that the percentage of expenses of various descriptions upon these receipts is constantly growing. Now I believe the explanation of that is, that your charges to the public for various services have been reduced?—That is one cause.

949. And it will therefore be satisfactory if you prepare a return showing, as fairly as it can be shown, the proportion of your expenses upon the amount of the work that you do?—Yes. May I be permitted to make some general remarks upon the subjects that have been before the Committee?

950. *Chairman.*] Certainly, the Committee will be glad to hear whatever you wish to say in way of explanation?—It is evident, I think, that the general drift of the examination has been in the direction mentioned by the last honourable Member; that is, to show that the expenses of the Post Office under certain Sub-heads, and in their gross result, are increasing at a greater rate than the revenue, and therefore exhibit the business, if looked at from the commercial point of view, as a losing concern. What I should like, with the Committee's permission, to point out is this: that for one thing the Post Office cannot be treated as a commercial business is treated. A commercial undertaking, or a private business, if it finds out that a branch house in the provinces is conducted at a loss, can close it; or, again, it can discontinue the production of a certain item of its wares. The Post Office cannot do that. It cannot close a post office because it is unproductive, or discontinue a part of the business to which the public has been accustomed, because it thinks it is not remunerative. For instance, if the cost of the limited mail to Scotland or Ireland grew at the rate, we will say, of 1,000 per cent. a year, we could not stop that mail service. If salaries increased at a greater proportion than the net revenue, those salaries having been once fixed cannot be cut down, nor with a growing business can an establishment be reduced or prevented from growing. If Birmingham or Manchester, or Liverpool, or Newcastle wants a new post office, if the business outgrows the present one, even though the price of sites be driven up by agitation there, or by the knowledge that the country is going to pay for it, to an utterly abnormal price, the site must still be acquired, and the post office must be built. Statements, therefore, of this character may be very interesting as an arithmetical calculation, but, in my humble opinion, they must fail to produce a true view of the business of the Post Office, or to exercise any valuable effect upon its administration. I ought to say that, whenever possible, the Postmaster General endeavours to reduce expenditure, and declines to extend services, to accelerate trains, or to establish new services wherever they do not appear to be likely to be remunerative; and often post offices are only opened or converted from ordinary offices into money order offices under a guarantee from the locality. That practice is carried out rigidly with regard to the Telegraph Service where it is possible to do it, but it only applies to new services; those that exist already cannot be stopped or starved; it would lead to an immense amount of public inconvenience and agitation which a Government would be unable, in my opinion, to resist. But I should, further, like to say that the Post Office is not conducted as a commercial business would be. There are many circumstances

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cumstances connected with the convenience and even the prosperity of particular localities which induce a Government entirely to disregard financial considerations, and to afford postal facilities which otherwise would not be regarded as absolutely necessary, where the revenue and the expenditure is wholly disproportionate. I should like to give some instances of that, extending over a considerable range of years. Packet services in Scotland to outlying islands have been established and maintained where the revenue shows no proportion whatever to the annual expenditure. The day mail trains between Aberdeen and Keith were increased at the rate of 2,500 *l.* a year, which is by no means repaid by the revenue derived from the mail matter carried. With regard to Ireland, a few years ago a very extensive and great acceleration of the day mail services took place, to Cork, to Galway, to Wicklow and Wexford, to Limerick and to Waterford, resulting in an increased expenditure of about 25,000 *l.* a year, which was very far indeed from being covered by the increased revenue. A foreign day mail was established to Leeds, Bradford, and Halifax, resulting in an increased expenditure of 6,500 *l.* a year, which is certainly not covered by the revenue from the letters which are so conveyed.

951. *Chairman.*] Do you mean that it is not covered by the total revenue from letters so carried, or by the increased revenue?—You cannot apply the total revenue of the letters to only a portion of the letters carried. I mean that it was not covered by the increased revenue properly derivable from that link in the service. There is a very striking instance of the assertion I am now making, that the Post Office administration is not conducted upon commercial principles, in the fact that in the present mail contract between Holyhead and Kingstown, dated 1884, a very material item in fixing the subsidy to be paid was one which had no relation whatever to the Post Office service, namely, the convenience of passengers, with which the Post Office has no more to do than with the production of orange marmalade. Then, for many years, the Post Office Packet Vote was charged with an item of no less than 16,500 *l.* a year for the conveyance of mails between Halifax, Bermuda, and Jamaica, of which only 1,000 *l.* a year was fairly chargeable to the Post Office Vote, the remainder being incurred for Admiralty and national considerations. A similar case is occurring in the present year, when the Estimates for Packet Service include an item of 4,000 *l.* a year for the new Newfoundland service, which is, in reality, a grant in aid to the colony, and not in any respect fairly chargeable to the Post Office Vote. It is often necessary to introduce and to establish a new service, which is utterly unremunerative, in deference to popular pressure or Parliamentary pressure. The Postmaster General considered it right, in order to remove what was considered to be a blot upon Post Office administration, compared unfavourably with other countries, and was regarded as inflicting inconvenience and loss upon certain commercial classes in England, to re-establish in this last year the sample and pattern post, although, as he informed the Treasury, it would result in the net loss at first of no less than 10,000 *l.* a year. Now no house of business would, as I conceive, charge its accounts with certain classes of expenditure with which it had nothing whatever to do, in the shape of these mail contracts or unremunerative businesses which are forced upon them from time to time by events over which Governments of the day perhaps have no control, and which are often forced upon them by Parliamentary pressure. Take, for instance, the parcel post; there has been established a service which has not proved remunerative as yet, even if it has reached an equilibrium. But why was that introduced? Not because the Post Office was anxious to start a new business, but because of this fact: that on the Continent a parcel post had been in existence for many years; that our people were clamouring for an international parcel post, and that it was impossible to start that whilst our own inland service had nothing of the kind. Therefore, before an international parcel post could be started, which I believe in itself is remunerative, the inland parcel post had to be started, and established at a very considerable loss. Those are circumstances which, I think, show that if the Committee were to arrive at any opinion based upon the comparative statements of expenditure and revenue which have been placed before them, and left out of consideration such circumstances as those which I have adverted to, it might be arriving at an

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erroneous conclusion. It might report to the House of Commons that those things were very wrong; but, after all, it could hardly affect practically the administration of the service with which the Postmaster General is entrusted as a monopoly for the benefit of the country, and which he is bound and compelled to carry on. There is only one other item I should like to refer to, and that is the expenditure for sites for buildings. Now this may show a greater growth than the growth of revenue, but no business firm would think of presenting its accounts in the shape of this comparative statement, and charge sites for buildings against the income for the year; they would provide for it, I apprehend, by fresh capital; the charge against the income for the year would be the interest upon such capital, and they would treat the value of their premises as assets of the company. The Post Office is unable, from the way in which our national affairs are managed (and perhaps rightly so) to have a free hand in conducting a business of this kind. The policy of successive Governments is very variable. One day the Post Office is enjoined to cut down its Estimates for sites to the very lowest figure; the Budget must be reduced, Estimates must be reduced, and everything therefore is staved off. Purchases which are extremely desirable, which a commercial house would, no doubt, with prudence and foresight at once make, have to be postponed. Then, it may be, prices are driven up, and in the next year, or year after, the Department has to pay a heavy price for the same site which it might have acquired more cheaply years before. At present the Treasury is inclined to pursue a different policy, in my own judgment a wiser one, and has informed the Postmaster General that it is ready to consider all well-advised plans for the purchase of sites in advance, so as really to save the State in the long run. But all this is very variable, and therefore, as I say, for the Committee, or for the House as the result of this Committee, to regard the Post Office as a house of business which ought to show, if it is wisely conducted, a net increase of revenue upon the annual increase in business would be, in my opinion, a very imperfect view to take of the matter. I have thought it right, with your permission, to make these remarks because they seemed to me to be required by the tendency of the examination which has been carried on.

952. *Mr. Henniker Heaton.*] There is just one point in explanation of that statement which I should like to put to you; is there any other Post Office in any other country in the world which is making a profit?—We do not know enough of the accounts of other countries to say as to that; they are not all disclosed.

953. *Chairman.*] Is your statement at an end?—It is.

SIR ALGERNON EDWARD WEST, K.C.B., called in; and Examined.

954. *Chairman.*] I BELIEVE you are the Chairman of the Board of Inland Revenue?—I am.

955. Since what year have you been chairman?—Since November 1881.

956. Then you were not chairman at the date of the contract for stamps which has been mentioned?—No, Sir Charles Herries was chairman then.

957. What can you tell us with regard to that contract?—I think the best history which I can give of the whole circumstances relating to that contract is to be found in Parliamentary Paper, No. 104, issued recently, a copy of which I should like to hand in to the Committee. The circumstances are very fully entered into in that Paper, which contains a memorandum made at the time.

958. By whom was that memorandum made?—That memorandum was made by Sir Charles Herries, then chairman of the Board of Inland Revenue.

959. Will you state shortly the effect of that memorandum?—The effect of the memorandum is this: it was thought wise at the time to record the circumstances which induced the Board to invite tenders for the one penny postage stamp. That was the beginning of the whole matter. There were certain things which happened afterwards, such as a consolidated contract, which embraced

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embraced stamps, envelopes, and wrappers, but those matters came up subsequently to the competition being held for the one penny postage stamp.

960. The contract to which I was referring was the contract for the penny postage stamp?—Quite so; the contract for which tenders were invited was for the penny postage stamp.

961. For what number of years was that contract made?—For 10 years.

962. Was that contract made practically by the Board, or by the chairman of the Board?—By the chairman of the Board.

963. What had been the practice of the Board with regard to contracts of that kind?—On looking back at previous contracts, I find that the contract in 1840, in Mr. Wickham's time, was made entirely by him. I find that a subsequent contract was made entirely by Sir William Stephenson, who was then the chairman of the Board. Coming to this contract I find the negotiations for this contract were entered into and conducted by Sir Charles Herries, and the result of the negotiations was communicated to the Board, and this minute was read to the Board.

964. Do I understand the remarks which you have made as to the responsibility of the chairman of the Board to apply to all contracts?—I consider my position to be this, that as chairman of the Board I am absolutely and entirely responsible to the Chancellor of the Exchequer for any expenditure whatever, and for any contract, and, in fact, for the whole conduct of the financial arrangements of the Inland Revenue Department.

965. But your colleagues on the Board would share that responsibility, would they not?—To a certain extent.

966. I understand, practically speaking, it has been the custom for the chairman of the Board of Inland Revenue to negotiate all contracts?—That is so.

967. And to name them to the Board, who generally accept them upon the faith of the advice of the chairman?—Yes.

968. Now with regard to the details of this contract, would you propose to state them, or would you rather name an official in your Department, who would be most competent to tell the Committee the details?—The person who would be most competent, because he was at the time very much mixed up with the business of these negotiations with Sir Charles Herries, is now a colleague of mine, Mr. Robinson; he was then assistant secretary. Mr. Garnett, who was one of the joint secretaries, has retired, and Sir Charles Herries is dead. Mr. Robinson is very conversant with all the details of the contract, and would give the Committee a more detailed explanation of it than I could do.

969. He is the official in your Department whom it would be desirable, in your opinion, in the first instance, to examine upon the subject, who could give a detailed explanation of the contract?—Yes.

970. Is there anything else which you desire to add to your evidence?—I know of nothing at present.

971. Mr. *Dixon-Hurtland*.] You say, as I understand, that the chairman negotiates these contracts, but I presume that the contracts which he negotiates are brought before the Board, and that they pass an opinion upon them; it is not done by the chairman without any consultation with his colleagues?—In the former case which I mentioned of Mr. Wickham, I can find no record that there was any consultation with their colleagues at all, the chairman merely presented the thing to the Board. In this case Sir Charles Herries brought it before the Board, and this minute was read to the Board, and, therefore, we knew all the circumstances.

972. Therefore, I presume the Board approved of the contract?—Certainly.

973. You naturally considered it part of your duty to know that the contract was such as you could approve of?—Certainly.

974. I should like to ask whether precautions were taken to protect the public purse in the contracts which were made in 1879-80?—The precaution was taken of a public competition which was entered into for the first time on that occasion.

975. Do you mean by public competition that the stamps were put up to tender?—Yes.

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976. What number of firms were asked to tender?—Seven firms.

977. Did those seven firms tender?—Six firms tendered.

978. Did the Board take any steps to ascertain at all that the price of the article in any tender was such that any of the tenders might be accepted?—Yes; we had to take into consultation many authorities, including the Postmaster General. It was he who laid down the nature of the stamps, and the requirements of the Post Office. There were certain chemical questions, such as the fugitive nature of the inks with which these stamps were to be composed; and it was considered by the then Postmaster General, Lord John Manners, to be essential that the stamps should be made in a particular way, and that the ink should have a properly fugitive character.

979. You have rather mistaken the nature of my question. My question was not whether the articles were of such and such a character as the Postmaster General might require, but what steps were taken to ascertain that the prices of the articles tendered for by any of the houses were correct prices; what experts did you call in, or in what way did you ascertain that the prices were proper prices, for I presume you would consider that a part of your duty?—I think the answer is that the public competition itself decided whether the prices were fair prices or not.

980. Was any clause inserted in the contract that if any reduction should take place in the price of the paper, or of any other articles, the price in the contract should go down in consequence?—I should think clearly not.

981. Was there any stipulation in the contract that the articles should be of British manufacture?—No.

982. Do you know, as a matter of fact, whether they are of British manufacture or not?—There was a question asked in Parliament about the matter, and I think the answer was that a great deal of the material was German. I have here a letter of Mr. Fawcett's, which is a very long letter in answer to a letter of Mr. George Shipton, who put that question to him, and he enters very much into detail upon the point; but, to put it shortly, he admitted that a great deal of the material was no doubt imported into this country.

983. In fact, may I take it from you that almost all these stamps, or rather the material from which they are made, are manufactured abroad, and not in England?—I think your question with regard to foreign importation of materials does not relate so much to stamps as to the post cards, and articles of that sort. I have no doubt that much of that material does come from abroad, but I cannot tell you how much.

984. But, in your opinion, a large quantity is imported from abroad?—I should think so.

985. Have you any means of forming an opinion as to what is the gross profit which Messrs. De La Rue have made out of this contract?—I have no means except the ordinary common knowledge that there has been a large fall in the price of the materials, and not only has there been a large fall in the price of the ordinary materials, but science has invented a process of producing the materials of which these articles are made from, a thing called wood pulp, and I have no doubt that that is a much cheaper material from which to make these articles than was known when this contract was made in 1880, but that is the only deduction that I can make. I believe at the time of the contract, and for some time after, there was a loss to the contractors, but, no doubt, the profits in later years have been large.

986. Do you think that there was a loss to the contractor at the beginning?—Yes, I think a loss. Of course, I am only giving my opinion.

987. You can form no opinion, I understand, as to what the yearly profit is at present?—No; a question was asked in Parliament, to which the Postmaster General replied; directly that question was asked and answered, Mr. De La Rue called upon me and said that he should be happy to produce his accounts and books and returns, but I declined, and said that it was not my duty, and that the Committee would probably examine into the matter if the question came before them at all.

988. Have you any reason to believe that the amount of profit which Messrs. De La Rue

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De La Rue make is over 60,000 L. a year?—I should think it is nothing like that.

989. Then you would not think that amount, if it was actually made, a fair and reasonable profit?—Certainly not. I think that they are making a considerable profit, and for this reason, I anticipate that in the new contract we shall get a much lower price. I may say also that some time ago, before any question, so far as I am aware, was raised in any way about this, I, feeling myself responsible as Chairman of the Board, declined to admit of any prolongation of the existing contracts, and I then expressed the opinion, which was in writing, that nothing hereafter should be contracted for without being entirely open to *quasi* public competition.

990. Then I gather from that that you consider that the contract at present is too high, and that the Government service can do better by any new contract which you may have to make?—Quite so.

991. Can you give me any reason why Messrs. De La Rue's contract was accepted?—Yes, I can give you, I think, some very good reasons; they were the lowest tenderers who fulfilled the requirements that were then put before them.

992. May I ask if they gave more than one tender, and whether, in fact, they did not give two tenders?—I am not aware of more than one.

993. Could you obtain that information definitely?—I have asked the question, and I find there was only one tender.

994. Was not this the fact, that the six tenderers sent in tenders, and that no tender was actually accepted, and that Messrs. De La Rue were asked for a separate price afterwards; is not that so?—Certainly not as regards the stamp contract.

995. As regards any part of the contract was that the case?—I am afraid the honourable Member is confusing the tender, with regard to the stamps, with the subsequent arrangement which was made with regard to the other articles. I am anxious to keep the two things clear.

996. I am talking of the tender in 1880?—Do you mean the tender for the stamps?

997. I cannot quite say as to that; I mean the tender in 1880, which had 10 years to run?—I am afraid that I am leading you into error if I do not explain that the tender was actually for the stamps. The other articles were under an old contract which had to run for three years more. That was the state of things when we had the competition for the stamps. At that time Messrs. De La Rue had the manufacture of certain higher stamps in their hands; that is to say, the higher priced stamps and the tender made by Messrs. De La Rue for the penny stamp having been accepted, they were from that time the contractors for the penny stamp. Some other higher priced stamps were being manufactured by another contractor, namely Messrs. Perkins and Bacon, but the Postmaster General at that time said that these stamps did not come up to the requirements of the Post Office, and accordingly it was decided to put the manufacture of these stamps into the same hands, namely, Messrs. De La Rue's hands, as they were the contractors of the penny postage stamp.

998. What I wanted to get from you was this, whether the tenders were not sent in by all these various people, Messrs. McCorquodale, Messrs. Waterlow, Messrs. Perkins and Bacon, and Messrs. De La Rue, and practically no tender was accepted at all, but a price was given in of 85,000 L. by Messrs. De La Rue, and that was accepted immediately, and all the tenders put aside; was not that so?—No.

999. Nothing of the sort?—Nothing of the sort. I might read to you the information I have here as to the way in which the tenders were received and dealt with, if you wish it.

1000. I only want to know upon that point which I have put to you, and I understand you to say clearly that there was no second price sent in by them?—Certainly not.

1001. Can you tell how long a time elapsed between the receipt of their final offer and its acceptance?—Do you mean between the tender and its final acceptance?

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1002. I mean

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[*Continued.*]

1002. I mean between the time they sent in the second price, as I call it, and the time the tender was accepted?—The difficulty I am in in answering your question directly is, that I wish to separate the competition, that is to say, the tenders for the penny postage stamps and the negotiations which subsequently took place in arranging for the making and production of these other articles.

1003. If my information is correct it is with regard to the previous tender in 1879-80 that I am asking?—Quite so, but you will understand that the tender was for the penny postage stamp only.

1004. And the other you say was the acceptance of an offer, in fact?—It was; the other was a negotiation for a price.

1005. You put it in this way, as I understand, there was a fair tender by all these parties for a stamp, and Messrs. De La Rue's tender was accepted in the usual way?—Yes.

1006. Their tender was the lowest, having regard to the efficiency of the work required, and also they had a three years' contract for other things; but none of those other things were ever put up to tender at all?—Quite so.

1007. Can you tell me how long a time elapsed between the receipt of the tender and its acceptance?—About a week, I believe.

1008. Was it not accepted on the same day?—No, certainly not, because you will see from this Paper which I have here how much had to be gone through before the matter was decided.

1009. Then, in the second case, was their offer for the other articles accepted at once?—No, that was the subject of negotiation.

1010. Can you tell me what steps were taken by the Board or its officers to ascertain the actual cost of manufacturing these articles, so as to know whether a fair price had been given as regards the second part of the contract?—I am afraid I could not; I did not enter into the negotiation.

1011. Can you say who did; I suppose it is somebody's duty to see that the offer made was a fair offer, as there was no tender in that case?—Clearly.

1012. Whose duty is it?—It was the duty (a duty which I need not say I am sure was most fully performed) of Sir Charles Herries.

1013. He is dead, is he not?—Yes.

1014. Is there anybody now who can speak as to what was done?—Yes; Mr. Robinson knows all the facts.

1015. He will be able to give us the facts, will he?—No doubt.

1016. Can you give us any reason why the second contract was not put up to tender as well as the first?—The best reason that I can give, carrying myself back to 1880, is, that that was the first competition that had ever been held at all; and having made that open competition, the Board found itself in this position, that there was a contract which they could not alter for three years; and I am bound to say (although I do not want to say anything disagreeable of Messrs. De La Rue) that to a certain extent they held a pistol at the head of the Board, that is to say, they were masters of the position to that extent; that we were under existing contracts for the higher priced stamps (not for the penny stamp) with Messrs. De La Rue, and for certain other things which we believed at the time nobody else could undertake so well.

1017. Then, in fact, the public have had to pay too high for these 10 years from having had a pistol held at the head of the Department, as you say?—No, I could not say that, because in 1880, under those circumstances, I think the price was a fair and good one.

1018. Then what do you mean by saying that the pistol was put to your head, because if it is a fair price it is no pistol held to your head?—It is a pistol at our head, in my opinion, to this extent, that the Board and the Post Office were in a great difficulty at that time to get the higher priced stamps manufactured at all.

1019. Why could they not put them up to tender as well as the other stamps?—Because they believed, and, as far I know still believe, that no one else had discovered a means of getting over the difficulty of the double fugitive ink.

1020. If another firm of high character were content to undertake the work, they would be bound by their contract, and damages would be awarded against them

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them if they did not do it; and you surely could not find out whether another firm would undertake it except by public tender?—They had tried it.

1021. You do not mean that your Department had tried it, do you?—Yes, they had. This Parliamentary Paper shows the number of tenders received for the penny stamps. It appeared then (I do not know what science may have done since) that none of the others had at that time fulfilled the chemical conditions required.

1022. They were willing to enter into a contract to do it, were they not?—I do not know.

1023. Was there not a tender to say so?—Their tenders were submitted to our chemical officers and the Post Office, who agreed with us, that they did not fulfil their requirements.

1024. Can you suggest any reason why the second contract should not have been submitted to tender, as the first was?—I know of no reason except that there were three years still to run, as regards those articles.

1025. That is no reason why at the end of the three years the contract should not have been put up to tender. As I understand, you gave up the three years and made both the contracts run for 10 years?—Yes. What operated, no doubt, upon Sir Charles Herries' mind was this, that Messrs. De La Rue's contract for the penny stamps having been accepted, it was very desirable that the two things should be in one hand.

1026. Provided, of course, that the sum paid was not too much?—Yes, of course, but all these articles being articles which have to be tested and superintended by the revenue officers, to have the operations carried on at two or three different establishments would involve an extra expense.

1027. All that would not apply to the post cards as well, would it?—Yes, it would; because the post cards are Post Office Revenue.

1028. You yourself stamp, do you not, perfectly irrespective of Messrs. De La Rue?—Yes a comparatively small quantity.

1029. Then there would be no difficulty in doing that, would there?—No; but what I meant was, that if the work was to be carried on at two establishments, at two different places, it would add very much to the expense and trouble.

1030. Are you not able to supply the public now with a better and cheaper article yourself than you get from Messrs. De La Rue under the contract?—We do not supply the material.

1031. But you supply the stamps, do you not, which is the main thing?—We supply the stamp. The material, of course, differs very much.

1032. Can you not supply the public with quite as good an article as is supplied by the contractor at a much cheaper rate than you are actually paying under the contract?—The answer to that question is this, they supply their own material, and we only charge a fee for affixing the stamp to the material.

1033. But I understand that the stamp is the important part, for I understand you to say that the other contracts were not accepted, because the stamps which they brought forward did not come up to the stamps which the Post Office authorities required?—I am afraid I must have misled you, for I was referring then to the penny postage stamp, which is quite a different thing from the post card stamp.

1034. I was speaking of the part of the contract that did not expire for three years; and when I asked you why that was not put up to contract, I understood you to say that, in your opinion, the reason was that those stamps were of such a curious nature that the Post Office authorities could not accept them?—No, I did not at all mean to say that; I am not aware of any particular reason why the contract was not put up to tender beyond what I have already stated.

1035. Then there was no reason at all why Messrs. De La Rue's price should have been taken at once for those articles instead of having the contract put up for public tender?—No, other than I am aware of.

1036. Then is it not the fact that Messrs. De La Rue are supplying you with post cards at 8 *d.* a dozen, while the public are supplying them at 6½ *d.*?—I do not know.

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1037. Of course, we know it is the fact; can you suggest the reason why?—I suppose the material is very much inferior.

1038. It is apparently the same material?—I think if you put that question to an expert he would answer you better than I can.

1039. May I ask you if any person in the Department has to your knowledge given information as regards these public contracts to Members of Parliament or other persons?—Not that I am aware of. I hope not.

1040. May I take it that you have had no reason to reprimand any person for so doing?—I have not.

1041. The only gentleman whose name you can mention to me as being likely to be able to give me more particulars about some of the details in relation to this contract is Mr. Robinson?—Mr. Robinson and Mr. Cousins, who was Controller of Stamps at the time the contract was entered into.

1042. [Mr. Henniker Heaton.] Have you the letter asking these private firms to tender?—Yes.

1043. Will you produce that letter?—Yes; these are the terms of the contract of 1880, which I will hand in (*handing in the same*).

1044. I am glad to have that, but I should also like to have the actual letters inviting the tenders?—I will get the letters for you.

1045. My object is simply to ascertain whether the exact terms of the letter were accepted by Messrs. De La Rue?—No doubt they were.

1046. I see from the Paper which gives the terms of the contract that it is to be for seven years; how came that time to be extended to 10 years?—If you will kindly allow Mr. Robinson to explain that, he can tell you more about it than I can.

1047. Is there anything in the contract to enable the Government to terminate it at any time, except, of course, upon a breach of faith?—No.

1048. Is there any penalty in the event of the Government's terminating it at any time?—No.

1049. Will you also let us have a copy of the agreement with Messrs. De La Rue?—Yes.

1050. I have here the Parliamentary Paper, and I see the letter accompanying it is signed by a number of persons; has that been signed by everyone?—Yes.

1051. There is no name omitted, then?—No.

1052. Have you the whole of the correspondence here on this subject?—I have brought everything which I thought the Committee might want.

1053. Have you a letter from the Controller of Stamps on the subject; I ask the question because there is a rumour that he has made a report to the Board of Inland Revenue as to a probable loss to the Revenue of nearly half-a-million sterling?—Do you mean the present Controller of Stamps?

1054. Yes?—I have got a letter from him, but I have not got it here.

1055. Will you produce that letter afterwards?—I have no possible objection to producing it, as far as I personally am concerned; but perhaps I may state to the Committee how the matter stands. In the beginning of this year, anticipating that some contracts were coming in, I appointed a committee in the office to report to me any facts that would bear on any possible coming contract. In February of this year the present Controller made a statement with regard to the coming contracts to the effect that we were paying under the present contract too high a price. The matter is very much mixed up; its origin was in connection with a tender that is being called for by open competition with regard to Indian paper. That competition is now pending, and is to be decided on the 1st of May. I should not have the slightest objection, as far as I am personally concerned, to producing the letter; but it rather complicates the question, as showing the different prices for which people can make the articles for which we have called for tenders; and it would be rather awkward to publish it before those tenders have been made.

1056. You have no doubt that that letter could be submitted to the Committee if they desired?—That is so.

1057. What is the name of the present Controller?—Mr. Purcell.

1058. With regard to the point which has just been raised about the charges for

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for the post cards, do Messrs. De La Rue charge 8 *d.* a dozen for post. cards?—We charge it.

1059. What does Messrs. De La Rue charge you for them?—Perhaps you will ask Mr. Robinson the question; he is more cognisant with those details than I am.

1060. Mr. *Raikes.*] I understand that you attribute to Sir Charles Herries, who was then the Chairman of the Board of Inland Revenue, almost the entire responsibility for the arrangements made in 1880?—Yes.

1061. Then in the event of any such arrangement being made now, almost the entire responsibility would devolve upon yourself?—Certainly.

1062. You say, however, that the Board was consulted to a certain degree by Sir Charles Herries at the time?—Yes.

1063. Yourself of course amongst the number?—Yes.

1064. And you approved of the arrangement?—Quite so.

1065. Did all your colleagues approve?—The only suggestion that I find on looking back made, was one by one of my colleagues, and I find a minute of my own, and another of my colleagues on it. That suggestion was to create a State Department for the manufacture of stamps; that is the only Paper I can find on the subject.

1066. I wish to leave aside altogether the question of the manufacture of stamps. I want in the question I am going to ask you, to refer entirely to what I will call inferior postal matters, not even including the higher priced and special stamps; that is, neither the penny nor the higher priced stamps. Now, I understand that the inferior postal matters, which the Board of Inland Revenue made this arrangement with Messrs. De La Rue & Co. for, includes English thin cards, English stout cards, newspaper wrappers, and three different sizes of envelopes?—Yes.

1067. All of that I imagine you would agree with me in describing as inferior postal matters, and not requiring any great artistic skill?—Quite so.

1068. You have told the Committee that the contract for the manufacture of stamps, which is to a certain degree an artistic process, was arranged by tender, and that several firms tendered?—Yes.

1069. But when it came to the question of providing these inferior postal matters tenders were not invited from the public?—No. You are aware that tenders could not have been invited at that time because there were three years of the contract to run.

1070. That was apparent from your previous examination; the fact of course was, that Messrs. De La Rue had a contract with the Board of Inland Revenue at that time which had yet three years to run?—Yes.

1071. And therefore the Board was not in a position to invite public tenders for these articles at that time?—Quite so.

1072. But I suppose you will also agree with me in saying, that they were not at all bound to make the arrangements which they did with Messrs. De La Rue; they might have waited till the three years had elapsed, when they would have been in a position to invite tenders?—Certainly.

1073. It does not seem to have occurred to the Board at the time, that if it was necessary or desirable to invite tenders for the very difficult and artistic processes which of course only very few people would be capable of producing, the same expediency would apply even in greater degree to the manufacture of articles which were comparatively easy to produce?—I have no doubt whatever, that if that contract had run out and terminated at the same time as the other, we should have thought of that, but we thought the advantage of getting that three years out of the way, and starting a new arrangement all in one hand, was the best arrangement that could be made.

1074. And you get a reduction of price?—Yes, and for a reduction of price; we also got other advantages.

1075. You said that the Chairman of the Board at that time satisfied himself that the prices were fair?—I have no doubt he did.

1076. In the case of the stamps you told us that the fairness of the price was ascertained by competition?—Yes.

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1077. But in the absence of competition in the case of inferior matters, the Chairman must have had some other means of forming a judgment?—No doubt.

1078. You cannot indicate what those means were?—Looking back at this minute, I see it was stated (and I imagine that it came from some other competitor) that the prices of De La Rue as regards envelopes (one of the inferior postal articles) were 20 per cent. too high; and then we did save 15 per cent out of that 20 per cent.

1079. Fifteen per cent. as against what you paid before?—Yes, but 20 per cent. was stated by some other competitor. I should think, as the amount by which the prices were too high. We got a reduction of 15 per cent., and we also achieved an administrative advantage in getting rid of work which we did up to that time, namely, perforating the stamp, which was a most cumbersome business, because they are printed at De La Rue's and brought to Somerset House, there perforated, and then sent back to De La Rue's again. We saved 2,000 *l.* a year in machinery and clerical labour by Messrs. De La Rue taking over that work, besides their purchasing our machines.

1080. But you are not aware that Sir Charles Herries had any means of satisfying himself as to whether the prices, for instance, charged for thin cards and stout cards were in themselves reasonable?—I can only say that Sir Charles had enormous experience, he had been at the Board 30 years.

1081. He was not an expert, was he?—He was not an expert, but there is no doubt whatever that he consulted all sorts of experienced people.

1082. Does it not strike you as being rather a curious comment upon the skill which you say was exercised in arriving at fair prices, that other manufacturers are now able to undersell the Government by producing cards nearly if not quite as good, at 6½ *d.*, as those which the Government sell at 8 *d.*?—No, I do not think so; I am trying to put myself in the position of things in 1880. We all know that prices have fallen enormously, and that science has brought new inventions to bear; it might quite possibly have happened that prices had gone up since 1880, and then I have no hesitation in saying that the Government would have been making a magnificent bargain. I do not think it was incumbent on the Department in 1880 to know that a fall would take place in all these matters. It may be an argument against a long contract; I say nothing upon that.

1083. As occupying Sir Charles Herries' position at present, would you consider the prices charged for the production of these post-cards reasonable terms to make a new contract upon?—I should not think so.

1084. You attribute the difference entirely to the fall in price of the manufactured articles, the paper, and so on, in the interval since that contract was made?—Yes, to that and the new inventions.

1085. You say that with regard to the manufacture of stamps, the Postmaster General of the day was consulted?—Certainly he was, fully.

1086. Was he consulted at all as regards the arrangement for producing the inferior postal matters?—I should think not; not that I am aware of.

1087. Not for the post-cards, nor for the newspaper wrappers?—I should think not; I know of nothing, I think, to show that.

1088. Should you think it your duty, in the event of your having to negotiate any fresh arrangement, to consult the Post Office as to the manufacture or production of these articles?—I should certainly consult them about everything in any future contract.

1089. So far you would depart from the policy previously adopted?—I should.

1090. Why should you consult them?—I think it would be very advisable, considering the questions that have been asked upon this point, to make myself as secure as I could.

1091. Is that your only reason?—The money is now charged upon your Vote, and it was not so before 1884.

1092. That was the answer which I expected you to give. You consider that the department which has the sole use of these articles is entitled to some voice as to the way in which they should be produced?—Certainly.

1093. And

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1093. And as to the prices to be given for them?—Certainly.

1094. You would consult the Post Office as to the price as well as the nature of the article, I understand?—Certainly.

1095. Does it not occur to you that it might possibly be more conducive to the public advantage if the Department who have to utilise these articles, and whom you would consult both as to the price and as to the style, should assume the responsibility for producing them?—That was a suggestion which I made in 1883 to the Treasury, and it was not approved of at the time.

1096. Was that about the time when the sum was transferred to the Post Office Estimates?—That was in 1884; but that was not the reason that led me to make the suggestion. The reason was that an amalgamation was contemplated between the Customs and Inland Revenue, and I did suggest to Lord Frederick Cavendish that it would be one means of lessening our labours if these postal affairs were transferred to the Postmaster General. I should not have the slightest objection, from a departmental point of view, to that.

1097. May I not go a step further; do you not consider it rather an anomaly that the Post Office should have to bear the responsibility of this Vote when they have at present nothing whatever to do with making the arrangement out of which the Vote grows?—I think it is.

1098. I suppose we shall be able to learn from Mr. Cousins something more than you can tell us with regard to the various considerations which weighed with Sir Charles Herries in making this arrangement?—I think Mr. Robinson and Mr. Cousins will be able to tell you about that.

1099. I should like to ask you one more question about the letter to the Controller of Stamps, to which the honourable Member for Canterbury has referred; I think you say that that is concerned in some degree with negotiations for tenders for Indian postal matter, and that those tenders have to be sent in on the 1st of May?—That is so.

1100. I assume you would have no objection whatever to furnishing the Committee with that document after the 1st of May?—None whatever.

1101. The Committee will doubtless be sitting then, and they would of course wish to respect the convenience of the Department, and therefore perhaps the honourable Member would postpone his request to have that document until after the 1st of May; I understand that you have no objection to its appearing then?—There is no objection at all as far as I can see.

1102. Mr. *Mowbray*.] Do you draw a distinction between public competition and open competition; I think you said that you got a fair price determined by public competition?—I ought properly to have said limited open competition, if it is not a contradiction in terms. We insist upon the people being men of substance, and competent in our opinion to tender; it was not absolutely open competition.

1103. I also notice that in the memorandum by Sir Charles Herries it is stated that it was considered by the Board unsafe to invite open competition?—In those days, when I first went to the Inland Revenue Department, the idea of submitting such a thing as stamps to competition was too dreadful to be thought of; we have progressed very much since those days.

1104. But are you of opinion that the "limited open competition," to use your own phrase, was an adequate test as to a fair price?—I think so, certainly.

1105. Is it your opinion that now in making contracts by the Inland Revenue Department you should proceed upon the same system of limited open competition?—Yes.

1106. Could you give us, or could Mr. Robinson give us, any reasons which led to those seven firms being communicated with?—I think Mr. Robinson could tell you that.

1107. They were chosen by the Inland Revenue Department, I understand?—Yes.

1108. And the competition was limited to them?—Yes.

1109. Mr. *Brunner*.] I have in my hands the terms put out for the contract of 1880, and I desire to ask you a question in relation to it, with regard to the tenders which you wish to have sent in on the 1st of May. I notice that in the

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terms of 1880 it says. "The designs and specimens of ink above referred to, with tender of net price at so much per 1,000 stamps to be sent in before 12 o'clock on Saturday, the 17th of May." And following immediately upon that, "A guarantee will have to be given that the deliveries of the new stamps will commence from the 1st October." Do you think that the length of time between the sending in of the tenders and the first delivery of the stamps was sufficient to enable a firm of manufacturers who had not been previously supplying you, to have time to prepare for undertaking the business?—I should have thought so. There was an anxiety on the part of the Post Office to get the contract for these stamps settled as soon as possible. I believe that is the reason why it was put so in the terms for tender in 1880.

1110. I am sorry to hear that there was so much hurry with regard to a 10 years' contract. The contract for which tenders are now being asked as regards Indian paper will be for what number of years?—For seven years.

1111. Will there be the same necessity for haste in the case of this seven years' contract?—Not that I am aware of; but that is an India Office question. We are only acting as agents for them.

1112. But as agents you have your instructions, I presume?—Yes.

1113. Are you able to give me any answer upon the point whether there will be any need for haste in this matter; may I ask whether you have carefully considered whether you are giving time enough to the tenders to enable those who have not hitherto supplied the Department to prepare themselves for so doing?—I quite understand your point, and I will see what the specified time is, and whether the India Office will consent to make it longer.

1114. Mr. *Dixon-Hartland*.] I would just like to ask you a question with regard to the contract that you made with Messrs. De La Rue in 1880; can you tell at all the amount per annum that that contract (I mean the one for which there were six tenders) came to in the first year, 1880. I want to know the difference between the sum which it was put out at with open competition and the sum that was accepted in the other contract without any competition at all?—It was a very small proportion; about 30,000 *l.* altogether.

1115. That is for the stamp contract?—Yes.

1116. Then they having got the stamped contract you gave them a contract for all this work which has been called second class Post Office work; what is the amount of that contract?—In the Votes this year the whole thing amounts to about 120,000 *l.*

1117. In fact the sum they received for the work for which there was no public tender whatever, was double the sum for the work for which they sent in a tender?—More than that.

1118. In fact the Department gave them a contract after an open tender with six other selected firms for a very small portion of the work, and then immediately after gave them a contract for nearly three times as much without any tender whatever being sent?—That is so.

1119. Mr. *Henniker Heaton*.] Do you mean that what we may call the non-competitive contract now amounts to 120,000 *l.* a year; that is to say, the amount now paid by the Post Office for the inferior material?—I think it is about 90,000 *l.*

1120. And the competitive part amounts to the balance?—To 31,000 *l.* and odd.

1121. Mr. *Dixon-Hartland*.] That shows that the competitive part was a very small proportion indeed of the whole?—Yes, it was the most important, but it was small in money.

1122. *Chairman*.] Did I understand you to say some time ago that, in your opinion, Messrs. De La Rue must have lost heavily in the earlier years of their contract?—I was asked my opinion, and my opinion was that they did lose heavily in the first years of the contract. They had a great deal of plant and new buildings to erect, but I have only given that as my own opinion.

1123. Is it not to be presumed that their tender was based upon the assumption that they would make a profit from the first?—I have no doubt that was their

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their opinion, and my opinion is that they were disappointed in that opinion for some years; but no doubt they have amply recouped themselves since.

1124. Consequent upon the heavy expenditure?—Consequent upon the large expenditure in plant and extension of premises.

1125. That would be capital expenditure which would have to be spread over the period of the contract, would it not?—No doubt.

1126. But taking that into account they would not expect to begin with a loss, would they?—I do not know how that is; I merely stated my opinion, and what I thought was the case, that they began by losing.

1127. I understand from you that you think they began by losing, treating certain capital expenditure as if it were yearly expenses?—Of course they would have to consider recouping their capital outlay before the conclusion of the contract.

1128. Does your opinion go so far as this, that assuming they dealt with the capital expenditure by that method, the earlier years of the contract would still be accompanied by a loss?—My opinion is that they were still losers; but I only gave that as my opinion.

1129. Your opinion is that if it had not been for certain improvements in the process, especially in the production of cheaper paper, they would have made a loss instead of making a profit by the contract?—I will not say that; but what I say is that I think it a very fair arrangement for the State.

1130. But if that is not your opinion, how could they begin with a loss?—Of course a firm like that would have improved their machinery, and their methods of manufacture, as time went on, apart from the fall in prices.

1131. But I included the improvement in the processes in what I have been putting to you?—I mean rather the improvement in the establishment and the manipulation. No doubt it would have been more advantageous to the firm to have this contract for 50 years than for a shorter period, because as time went on they would improve in the manipulation.

1132. With the knowledge they had at the time that they entered into the contract, and which the Inland Revenue may be supposed to have had, you do not mean to suggest that they entered into a contract which was likely to be unfavourable to themselves?—No, not for the 10 years.

1133. Mr. *Raikes*.] I should just like to ask you whether you would not like to correct one of the figures that you gave. I think you put the sum for the stamps at about 26 000 *l.* a year, and for the inferior matters 90,000 *l.* I should like to put the Estimates into your hand and ask you to correct that figure. I think you will see that the whole amount for the current year is 163,000 *l.*, is it not?—The postal orders ought to come out of that; that is 20,000 *l.*; and then registered letter envelopes also.

1134. The total amount is 163,000 *l.* in the Vote, is it not?—Yes.

1135. And 29,000 *l.* is the sum for stamps, is it not?—Yes, for stamps alone.

1136. You say that out of that should also be taken certain other sums?—Yes, paper for printing the postal orders 20,000 *l.*, and registered letter envelopes 4,000 *l.*

1137. And neither of those matters are included in Messrs. De La Rue's contract?—No.

1138. Taking out the 29,000 *l.* for stamps, the 20,000 *l.* for postal orders, and 4,000 *l.* for registered letter envelopes, the remainder would represent Messrs. De La Rue's contract?—Yes, taking out also 250 *l.* for dies.

1139. It comes altogether to about 110,000 *l.*, does it not, instead of 120,000 *l.*, if you exclude the stamps; that is to say, the competitive contract is 29,000 *l.*, and the non-competitive amounts to between 100,000 *l.* and 110,000 *l.*?—No doubt that is so.

1140. Mr. *Brunner*.] Who makes the watermark paper for the stamps?—Mr. Turner, of Roughway Mills.

1141. That is supplied by you to Messrs. De La Rue, is it?—Yes.

1142. Mr. *Mowbray*.] Who has the contracts for these other items, the paper for

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Sir A. E. WEST, K.C.B.

[Continued.]

for printing postal orders, and so on?—That is a Post Office question; no doubt Sir Arthur Blackwood would be able to tell you.

1143. Are not those made by the Inland Revenue?—No; they are all made by the Post Office.

1144. *Mr. Richard Chamberlain.*] Is not the contract subject to six months' notice?—I think it is only the usual notice.

MR. FREDERIC LACY ROBINSON; called in, and Examined.

1145. *Mr. Dixon-Hartland.*] Sir Algernon West has told the Committee that you would be able to give the best information about arrangements that were made at the time of the contract with Messrs. De La Rue in 1879; can you give us any information about the way in which the tender was sent out?—Certain firms were selected; there were three firms who had had to do with the manufacture of stamps, or with matters of a kindred character, namely, Messrs. Perkins and Bacon, who had manufactured the postage stamps from 1840 up to that time; Messrs. De La Rue, who from 1851 had manufactured all the higher class of stamps, and Messrs. McCorquodale, who had some small contract with the Post Office for the manufacture of postal registration envelopes. Those three firms were, of course, selected; in addition to that, the Controller of Her Majesty's Stationery Office, Mr. Pigott, was consulted as to the names of any firms whom he might suggest to the Board as competent for such an undertaking, and he sent in a few names which were in the main selected; one firm, I think, was not taken. The result was that seven firms were applied to, of whom six tendered.

1146. Who drew up the form of tender?—The form of tender which I have just shown to the honourable Member was prepared by Mr. Cousins, the Controller of Stamps, at that time, and was approved of by Sir Charles Herries.

1147. Had Mr. Cousins any technical information which enabled him to draw up such a tender?—I do not know that he had; I have no doubt he consulted, as he will probably tell you, the inspector of stamping for the time being, who would, of course, have certain knowledge upon the subject.

1148. You are not able to give us any information as to the persons who made suggestions to the Department as to the form the tender should take?—Certainly not; I can say that Sir John Tilley, who was then Secretary to the Post Office, was consulted as to the extent of the competition, and as to whether there should be a competition or not.

1149. What means were taken by the Board, or by its officers under their instructions, to see that any tender that was sent in was of a proper character as to price?—I do not know that I can answer that better than Sir Algernon West has done; it was a competition in which any firm would be very glad to succeed, and the question of price was a sort of thing that would settle itself.

1150. Why?—Because any firm who was anxious to get the contract would tender as low as possible.

1151. Is that your experience always of tenders?—It is our experience of stamp tenders. Of that tender certainly

1152. Is that borne out by the result?—I think so.

1153. You consider that they have not made a profit of any exorbitant character?—I do not consider that in the earlier days of the contract Messrs. De La Rue made a very considerable profit.

1154. You think not a very considerable profit, but they made a fair profit from the very beginning?—I do not know; I have no means of knowing; I daresay Messrs. De La Rue will have no objection to answer the question.

1155. Have you any idea what profits they are making?—I have, as a Special Commissioner of Income Tax, some idea of what their general profits are, but I cannot say what they are making in the case of this contract.

1156. Have you any idea of what profits they are making now on this contract?—I have not any idea.

1157. You

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[Continued.]

1157. You have not formed any idea as to how much profit they are making beyond what in the present circumstances of the trade they should make, and as to how much, therefore, their contract should be reduced in case it is continued to the end of the term?—I apprehend that there has been a fall of about 30 per cent. in cardboard. The processes of cardboard making have very considerably altered, as you are aware. There have been large imports from Germany of wood-pulp, which became so considerable in 1887 that the Custom House opened a separate opening for them in the Statistical Accounts, and I have got here a piece of cardboard made out of manure. That shows that in these days people are making cardboard from a variety of substances.

1158. In your opinion has the fall in the price of cardboard in some of these articles been as much as 30 per cent.?—Yes.

1159. Have you formed any opinion of what the fall of prices has been as regards all the articles in the contract, paper, cardboard, and so on, and the price of labour?—No, I have not.

1160. Would it be right to put it, taking it all round, at 30 per cent.?—I do not think so.

1161. Twenty-five per cent.?—There has been probably a fall in paper of 25 per cent.

1162. More than 25 per cent., is it not?—I do not know. Not in the better class of paper, I believe.

1163. Would it not be the case, in your opinion, that since the contract was made there has been a fall all round of 25 per cent., at all events?—I could hardly say.

1164. Did you not suggest that just now yourself?—I think that the present post-card can be produced at a cheaper rate by 25 per cent. than it could be in 1880; but I should say that if there had been a European war, and wood-pulp were not obtainable, the price of it would have gone up.

1165. You consider, at all events, that that contract would have given Messrs. De La Rue a fair profit, supposing prices had stood as they were, and, therefore, the whole effect of this fall has been an extra profit in their pockets?—Yes.

1166. Which, of course, must, in your opinion, be very large?—Very large.

1167. You said that you thought it most natural that every firm would tender at the lowest price possible?—I think so.

1168. Is it not well known that in tenders of this kind various firms coalesce together when a tender is out, making a larger tender than the lowest possible price, and agreeing to receive a certain sum between them?—I should doubt from my knowledge of Messrs. De La Rue whether they would do such a thing.

1169. I am not speaking of this present case. I am only testing your argument that tenders show that a price is fair without analysing the tenders. I am suggesting nothing as regards Messrs. De La Rue. You put forward the argument that the price must be a fair price because there was a tender. I ask why it need be a fair price. We know there is what is called a knock-out with regard to tenders. I do not mean that there was in this business, but as a general thing?—That is so. I may say that it was nearly half the price of the previous payments for postage stamps; but you might say to that that only showed that we were paying too much before.

1170. I want to know what care was taken to see that any tender sent in was a fair tender?—I do not suppose that the question of the cost of making postage stamps is a matter upon which public opinion exists. It is an impossibility. I know that in 1852 Mr. Coe, who was at that time engraver to the Bank of England, gave as an estimate of what 1,000 surface printed postage stamps could be done for.

1171. That is not what I am asking; my question is whether any steps were taken by the Department to show that any one of the tenders sent in was a proper tender?—I cannot say that any step was taken.

1172. Why was no tender made at all as regards the inferior postal matters; we find out that pretty nearly three-quarters of the supply, what I may call rough postage, was given out without any tender at all; why was that done?—Immediately after the tender for the penny stamp was accepted, the Postmaster General for the time being, Lord John Manners, called attention to the very

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[Continued.]

inferior quality in his opinion of the halfpenny, three-halfpenny, and twopenny stamps; they were at that time in the hands of another firm.

1173. Are they not in the stamp contract?—They are in the present stamp contract

1174. That was in 1880; I am not talking of the 1880 contract, I am talking of the one that had three years still to expire; why was no step taken to give that by open tender?—If you will allow me I was going to explain that. In February 1880, immediately after the contract for the penny stamp was accepted, the Post Office strongly objected to certain classes of stamps which were then prepared by another firm.

1175. Then the tender was only the penny stamp contract?—Quite so. The other firms were unable to produce stamps which satisfied the Postmaster General. He desired that such stamps as were produced by Messrs. De La Rue should be obtained. Messrs. De La Rue were invited then to produce those stamps and they naturally wanted a consideration. In point of fact, they had shown that they were really the only people who could produce high-class stamps in properly fugitive colours, and, in a sense, they were able to insist on a continuation of the contract; but in doing so they offered what were deemed very considerable reductions. In point of fact, they reduced their tender price for the penny stamp as well, from 2½ d. to 2¼ d., and they offered to make the halfpenny stamp on the same terms, and they offered an all-round reduction of 10 per cent. on the other articles. They subsequently extended the offer to 15 per cent. upon envelopes, and they undertook to do all the perforation of the stamps, which we did up to that time, and which from the noise and vibration it made was a perfect nuisance, and a great impediment to business. Sir Charles Herries considered at that time that that was a very advantageous offer to accept.

1176. In fact, all the work which Mr. Raikes has spoken of, which anybody could have done, was given into their hands without any tender, in order to induce them to take up the halfpenny, three-halfpenny, and twopenny postage stamp?—To an extent it was so, but not altogether, because you must bear in mind that they have various other Postal and Revenue stamps from 4 d. up to 5 l.

1177. Do you not think that the failure of other houses to tender was in part due to the very short time allowed to complete the machiney and things of that sort?—No, I do not think so.

1178. Mr. Henniker Heaton.] There are one or two points that I should like to know something about. I understand that you were perfectly well acquainted with the facts with regard to that contract?—I was at that time Assistant Secretary to the Board, and ever since 1860 nearly every Paper in connection with stamps has gone through my hands, and I was very well acquainted with that eminent civil servant, Sir Charles Herries, having been his private secretary for many years.

1179. Have you the letter sent round to the tenderers asking them to tender?—I do not think we have, but I recollect distinctly what it was, because I wrote it myself. It was merely asking them whether they were prepared to tender, and when they said they were ready they received that Paper which has been handed in.

1180. Can you produce the specification?—This is it.

1181. That is the one that Messrs. De La Rue tendered by?—Yes.

1182. And you can produce a copy of the agreement that Messrs. De La Rue entered into upon that?—Yes. There was no agreement actually upon that tender. The agreement was upon the united contract, including what has been called the inferior class of work.

1183. There was no agreement upon this contract separately, as I understand?—No, but it was amplified in this final agreement.

1184. What has been called the competitive tender was added to it?—Both were included.

1185. Can you tell us why the time was extended to 10 years instead of being seven years, as is stated in the terms of contract?—Messrs. De La Rue at that time, as I have explained, were to a certain extent masters of the situation, and

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[Continued.]

and they had a remarkably high character, I must say, with our Department; their work has always been very perfect; and they, in effect, in a letter dated the 30th of January 1880, asked for a consolidated contract to run for 17 years.

1186. Will you just read a line or two of that letter to show why they asked for that?—The letter says: “The work for your Department extends over five of our factories, and, in the aggregate, occupies about double the space that is afforded in our new building, the Star Works.” I may tell you that their factories are very large; they are rated at over 8,000 l. a year, and I may say we occupy an immense quantity of their factory space. Then they say: “We have instanced the space and plant involved in the manufactures in order to bring home to your Board the great expense and labour which any re-organisation must entail.” Then they go on to say: “The changes which we should have to effect would be of so sweeping a nature, and the expense we should be put to would be so great, entailing as they would, besides a total re-organisation of the whole of the work, the re-construction of all the stamp-printing plates, that we could only enter into the matter on one condition, viz., that your Board, would accord us reciprocity by granting to us a consolidation and extension of the existing contracts. The Penny Postage Contract is to be for a term of seven years, the Post Card, Newspaper Wrapper, and Postage Envelope Contracts have, in effect, about three years to run, and the condition upon which we could alone effect the saving which we have indicated is that those contracts should be consolidated and extended by 10 and 14 years respectively, so that we should feel that we had sufficient time to recoup ourselves for the great outlay which we should be put to, and the inevitable loss we should at first sustain. Apart from the direct saving which would result to the revenue from the adoption of our proposals, there is no doubt that they would lead to collateral economies, the details of which we will not, however, presume to enter into, excepting to point out that, instead of having a great variety of stamp papers, three, or at the most, four, different kinds would be sufficient.”

1187. I want to ask one question upon that; that refers to the competitive contract for special work, does it not?—It refers to all. They specially mention post cards, newspapers, wrappers, and so on; it refers to both classes.

1188. Mr. *Dixon-Hartland*.] There was a reference in the extract which you read to a certain condition upon which alone they could effect a saving; what did that refer to?—It refers to all stamps, &c. manufactured by them.

1189. That was not as regards the penny stamp contract?—No.

1190. Mr. *Henniker Heaton*.] For all the inferior work they also got a 10 years' contract?—Yes.

1191. Not only for the special work?—No, they got a contract for the whole on the terms which they offered, with modifications, making all reductions.

1192. Will you put in that letter of 30th January, and the agreement which was made?—Yes.

1193. Of course Parliament was not consulted about this contract at all, was it?—No.

1194. Is there anything in the agreement enabling us to terminate the contract at any time?—No.

1195. We have no means of terminating it?—No, except for a breach of the contract.

1196. Can we not terminate it upon notice?—No, not unless they did not supply the articles up to the contract, of course then it would terminate.

1197. Mr. *Raikes*.] Were you Assistant Secretary in 1880?—Yes.

1198. As such you were cognizant of these negotiations, were you not?—Yes.

1199. Do you happen to remember whether the final offer of Messrs. De La Rue was ever formally submitted to the Board by Sir Charles Herries?—I know the final offer was laid before the Board, because I have here Sir Charles' own minute in his own handwriting on the letter of the 5th of February 1880, and that minute bears the Board stamp.

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1200. What

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[*Continued.*]

1200. What was the date of the arrangement that was made?—The letter that I have been reading from was dated the 30th of January.

1201. What was the date on which the arrangement was closed ; the action of the Board was on the 5th of February, and that letter was written on the 30th of January, was it not?—The final minute is 7th February.

1202. Was there not an intermediate communication between those two dates?—Yes, I think there was. There was a letter stating that the Board were informed that there ought to be a reduction of 20 per cent. on the envelopes ; that was between the two dates.

1203. Have you got the reply of Messrs. De La Rue to that letter?—Yes ; that is the letter of the 5th of February, in which they say that a further reduction of 5 per cent. upon the prices of the envelopes is the utmost that they could allow.

1204. That is dated the 5th of February 1880?—Yes.

1205. And the Board took action upon it on the 5th of February?—Yes ; I believe Sir Charles Herries had an interview with a member of the firm, and went fully into the matter between the 30th of January and the 5th of February.

1206. And then this contract binding the State for 10 years was concluded in the course of the same day upon which it reached the Board of Inland Revenue in its final form?—Yes ; that letter was written in consequence of a lengthened interview between Sir Charles Herries and a member of the firm of Messrs. De La Rue.

1207. I asked Sir Algernon West with regard to that, and he said that he thought there was a week between the receipt of the tender and its acceptance?—So there was. This letter of the 5th of February was a continuation of the letter of the 30th of January, which is the main letter. This letter of the 5th of February only deals with a small matter.

1208. I wish to ask whether it was not a fact that this arrangement covering this length of time, and involving the expenditure of such a very large sum of public money, was granted without competition on the very day on which it finally reached the Board of Inland Revenue?—If you put it in that way I suppose it was, but you must not assume that that letter was written, and the minute made upon it without any consideration, because between the 30th of January and the 5th of February the whole of the matter had been gone over verbally.

1209. *Chairman.*] That letter was practically an expression in writing of the verbal arrangement that had been already arrived at?—Yes. I may observe that the memorandum of Sir Charles Herries on this letter of the 5th of February bears the stamp of the Board dated the 6th February.

Friday, 27th April 1888.

MEMBERS PRESENT:

Mr. Preston Bruce.
Mr. Richard Chamberlain.
Mr. Dixon-Hartland.
Mr. Henniker Heaton.
Mr. Heneage.
Mr. Jackson.

Mr. Mowbray.
Mr. J. F. X. O'Brien.
Mr. David Plunket.
Mr. Raikes.
Mr. Stansfeld.

THE RIGHT HON. JAMES STANSFELD, IN THE CHAIR.

MR. WILLIAM HENRY COUSINS, c.B., called in; and Examined.

1210. *Chairman.*] You are at present, I think, Joint Secretary to the Board of Inland Revenue?—Yes.

1211. Were you Controller of Stamps at the time of the contract of 1879 and 1880?—Yes.

1212. At that time were you constantly in communication with the late Sir Charles Herries and with Sir John Tilley and others in connection with the arrangements for stamp supplies?—Yes.

1213. Was there any particular reason for a special discussion of the question of the stamp supplies at that time?—Yes; the Post Office had become dissatisfied with the penny red stamp which was then furnished by Messrs. Perkins, Bacon & Co. Our Board was in communication with Messrs. Perkins and Bacon at the moment for the renewal of the contract for the penny red stamp, and we received a communication from the Post Office, of which I can give a copy, saying that they would be satisfied with Messrs. De La Rue's stamps, and with Messrs. De La Rue's stamps only.

1214. Thereupon what happened?—Thereupon Sir Charles Herries, having a kindly feeling towards Messrs. Perkins & Bacon, said that he did not like them to be deprived of the work without there being a trial to see whether they could produce the new stamps with which the Post Office would be satisfied, and thereupon it was proposed that there should be a sort of competition between the two, Messrs. Perkins, Bacon & Co. and Messrs. De La Rue. When that had been discussed, it was considered that Messrs. McCorquodale should also be brought in because they were the manufacturers of the registered envelopes, and some further discussion took place at our Board with which I am not familiar. It was considered that Messrs. McCorquodale should also compete with Messrs. Perkins, Bacon & Co. and Messrs. De La Rue for the new penny stamp in substitution for the old red stamp.

1215. Before you go further, let me ask you this: you said that you had with you a copy of a letter from the Post Office, in which they express the opinion that Messrs. De La Rue & Co., and no others, could satisfy their requirements?—If I used the words "no others," I do not mean that those were the words in the letter; I mean that that was the whole tenour of the correspondence and communications with the Post Office.

1216. Have you the letter?—Yes. The letter is as follows: "I am directed by the Postmaster General to transmit to you, to be laid before the Commissioners of Inland Revenue, the enclosed copy of an important report from the Controller of the Circulation Department, suggesting for the reasons given an alteration in the manufacture and printing of the penny and certain other postage stamps now in use." Then the copy of the report, signed by the Controller of the

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[*Continued.*]

the Circulation, contained this clause : " I submit, therefore, that the Inland Revenue Office should be requested to ascertain from Messrs. De La Rue whether improved designs for the low value stamps could not be furnished, and whether such stamps could not be manufactured almost, or quite, as cheaply as stamps of the same value are at present."

1217. What is the date of that letter?—The 11th April 1878. The report is dated 10th April 1878. I find this also in the report : " This being so, I think no time should be lost in applying a remedy, and this will be found in having the stamps of low values made precisely in the same way as those of higher value, both as regards the mode of manufacture and the printing in fugitive colours." I may be permitted to say that the higher value stamps were then manufactured by Messrs. De La Rue.

1218. Is that all that there is in that report to the point?—Then there is a private letter from Sir John Tilley to Sir Charles Herries, which says, " If new stamps are to be made, I do not think the Government should put up with anything short of the best, whoever may be the manufacturer." That I presume was the answer to some note of Sir Charles Herries, in which he had said that Messrs. Perkins, Bacon, & Co. had manufactured those stamps for 40 years.

1219. Mr. *Henniker Heaton.*] You do not know that, I understand, as a matter of fact?—I do not know it, but I presume so.

1220. *Chairman.*] The extracts which you have just read do not in themselves justify your previous statement that the Post Office had communicated with the Inland Revenue to the effect that Messrs. De La Rue, and Messrs. De La Rue only, would satisfy them?—There were a series of letters. Later on, when the competition for the penny stamp came about, the Post Office, when they selected Messrs. De La Rue's tender for the penny stamp, went on to say this : " His Lordship would ask what course the Commissioners propose to take with respect to the adoption of new stamps of the value of 2 *d.*, 1½ *d.*, and ½ *d.*, as it is desirable that this question should likewise receive early settlement; perhaps the decision come to in regard to the penny stamp will be held to apply also to the other stamps, and in this case he will select " (that is, the Postmaster General) " from the group No. 3,257 the designs which should be adopted."

1221. What is the date of that letter?—The 25th of June 1879.

1222. But that letter does not sustain the portion of your evidence to which I have referred; do you not think you had better withdraw that particular sentence?—I must act under your guidance. I merely meant that the whole tone of the Post Office correspondence and interviews with us was that they wished Messrs. De La Rue employed.

1223. Having read those extracts from the correspondence to show us their view, do you not think you had better eliminate that previous sentence or statement from your evidence?—I think so.

1224. Then I understand the competition was entered into?—The competition was entered into.

1225. With what result?—The result was communicated to the Post Office, and the Post Office then wrote the letter from which I have just read, of the 25th of June 1879.

1226. What was the result?—There were six competitors, and the result was that each competitor's stamps and his prices were referred to the different officers; I think they were referred to the chemical officer, Dr. Bell, and to the practical officer, Mr. Robertson, the Inspector of Stamping.

1227. What was the result, so far as that question of meeting with the requirements of the Post Office is concerned; I mean which of the competitors showed that they could fulfil the requirements of the Post Office?—No. 3,257. I was not secretary or present at the Board at the time, but, I believe, each tender was put under a number.

1228. Are you prepared to say that Messrs. De La Rue & Co. were the only competing firm which fulfilled the requirements of the Post Office?—I am not sufficiently technical for that.

1229. Then you are not able to inform us of the result of that competition with

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with regard to the question of what firm or firms showed themselves capable of complying with the requirements of the Post Office?—No.

1230. Without being able to answer that question, you know at any rate that Messrs. De La Rue obtained the contract?—Yes.

1231. What followed upon that application being made to Messrs. De La Rue?—After some conference with the Post Office, and this letter from his Lordship, saying that “No. 3,257 must be accepted as being the only one which fulfils all the conditions of the proposed contract, and thus seems to secure the Post Office Revenue against the danger of fraud,” was received by our Board. I believe our own secretary wrote to all the competitors.

1232. You say you believe so. You have now informed us the result of the competition was that No. 3,257 alone complied with the requirements of the Post Office?—Yes, so the Post Office said.

1233. Now can you tell us whose tender that was?—That was, I believe, the tender of Messrs. De La Rue; it certainly was Messrs. De La Rue’s.

1234. Is it within your knowledge that it was Messrs. De La Rue’s?—No; because I had nothing to do with the numbering; I was not at the Board.

1235. Then we will pass over that; however, in consequence of what happened, were Messrs. De La Rue applied to?—I think there is a letter here notifying it. I think that all the competitors were then written to, Messrs. De La Rue amongst them. I have here the Chemical Officer’s report, and against No. 3,257, he says, “These stamps are highly fugitive, and maintain this property after having been dried. The results of the experiments indicate a non-oleaginous medium, a condition most favourable for the stamps remaining permanently fugitive. The pigments used in the printing of the stamps are free from lead. The stamps are so delicate in finish that the slightest attempt to tamper with them is indicated, and could at once be detected. They are also of superior workmanship and design, and are excellent specimens of surface printing.” That is the report by Dr. Bell, the principal chemical officer to the Inland Revenue.

1236. What is the date of that report?—The date of that report is the 9th of June 1879.

1237. Now I understand that you are not able to tell us whose tender that was?—No.

1238. The offer of Messrs. De La Rue was, as a matter of fact, subsequently accepted, was it not?—All the numbers, as I believe, were sent over to the Post Office.

1239. Will you please answer my question; was the offer of Messrs. De La Rue afterwards accepted?—Yes.

1240. Now was it regarded at that time as a fair or a favourable offer?—In the Department it was, certainly, because it fulfilled the requirements of the Post Office, and it was, I think, about half the price of what Messrs. Perkins, Bacon, & Co. had been paid for the old red stamp.

1241. It was regarded as a good bargain, you say?—Yes; I have now got the Minute of the Board, written by the then secretary, about No. 3,257, which I should like to read.

1242. Will you read it?—This is in the writing of the then secretary: “The Board” (that is to say, the Inland Revenue) “agree in the opinion that the tender of the firm, No. 3,257, viz., Messrs. T. De La Rue & Co., is that which, while fulfilling all the conditions of the proposed contract, affords the best security to the revenue. They also concur with the Postmaster General in the preference for design D., on card No. 4. Ordered, that the tender of Messrs. T. De La Rue & Co. be accepted, and that they be authorised to proceed with the execution of the plates without waiting for the completion of the contract, so that specimens may be submitted in conformity with the desire of the General Post Office.”

1243. Mr. *Dixon-Hartland*.] That is with regard to the penny stamp contract?—Yes, the 1879 contract.

1244. *Chairman*.] What is the date of that Minute?—The 11th of July 1879.

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1245. Now

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[Continued.]

1245. Now the contract at that time was, in your opinion, an advantageous contract to the Government?—Yes.

1246. To what circumstances do you attribute the fact that it ceased to be so advantageous as time progressed?—The contract which I am alluding to at the moment is the penny postage contract simply, and it is still advantageous, or at least I have no reason to think but what it is still advantageous.

1247. I did not put my question quite correctly. I wanted to pass from that question of the penny stamp to the other question of the cost of the supplies really depending upon the price of paper. I will put it in this way. On Messrs. De La Rue being applied to about these other matters, as we understand from Sir Algernon West, or a previous witness, they declined to consider the question unless they were allowed to include on reduced terms all the work in their hands in one consolidated contract to run for a certain number of years?—That was not on that penny contract; that penny contract they accepted. But simultaneously with that, the Post Office said, “What are you going to do about the halfpenny, the three-halfpenny, and the twopenny stamps”; and it was on their being applied to to do those that Messrs. De La Rue said, “Before we embark fresh capital we must have a prolonged contract for the cards and wrappers”; but a great deal took place by verbal negotiation with Sir Charles, and I cannot speak a very great deal about that.

1248. Can you give us the terms of that contract?—Do you mean the contract as regards the penny?

1249. No, not the penny contract, I mean the consolidated contract?—I have the agreement here (*producing the agreement*). That is the consolidated contract.

1250. That is the contract itself?—Yes (*handing in the contract*).

1251. This, I see, is the original contract; have you any copies of it for the Committee?—No.

1252. Mr. *Mowbray*.] Up to the time you are now speaking of there was no contract in existence. I understood that Messrs. De La Rue were told to go on and complete their tender, but that was pending the arrangement with regard to the other articles; there was no contract?—I believe that was so. I do not think there was any legal contract between the settlement of the negotiations for the penny (although there was a letter), and the agreement I have now produced. I believe there was no penny contract by itself.

1253. *Chairman*.] In regard to this agreement which you have handed in, you say that the opinion of the Department at the time was that it was a favourable contract for the Department?—Very generally, except in one particular, which I must tell you, that I thought there ought to be a greater reduction for the cards and wrappers. On the cards and wrappers 10 per cent. was allowed; Sir Charles Herries desired me to send one of my lieutenants to ask about the price of envelopes; I did not think a reduction of 10 per cent. was enough.

1254. I see at Question 1049 Sir Algernon West is asked, “Will you also let us have a copy of the agreement with Messrs. De La Rue,” and the answer is “Yes.” I understand you have received no instructions to provide copies?—I have received no instructions.

1255. Will you make a note of that, and furnish us with copies?—Yes, I will do so.

1256. Then with regard to this particular contract, it has become less favourable since the date it was made?—Yes, by the fall in prices.

1257. In the prices of what?—Of paper and pulp, and all those things.

1258. A fall which was not at all foreseen at the time of making the contract?—No, it could not have been to the extent that it has occurred. Might I finish what I was saying about the price of cards and wrappers and envelopes in that contract. Sir Charles Herries sent to me, and said: “I want you to make some inquiries about the price of envelopes, because a question has been raised about a reduction; just send one of your lieutenants to inquire, and accordingly I did send one of my lieutenants to inquire, and we got some figures which have now passed from my mind, I cannot say exactly what they were, but I handed them

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them to Sir Charles, and upon that a further reduction was made in the terms for the envelopes; that is to say, instead of allowing 10 per cent. off they were to allow 15 per cent. But then in talking to Sir Charles, I said, "What about the cards and wrappers, should we not have 15 per cent. off them," and he said, "I went critically into that two or three years ago. There certainly has been a fall in prices, but we are now rather upon an ascending scale" (because in 1880 we were looking forward to better prices, and not to these disastrous years), and "Messrs. De La Rue have already promised such a great reduction of nearly 20,000 l. a year, and the Post Office are pressing me to come to terms with them, that I am imperilling the Post Office revenue if I go on any longer dilly-dallying about the cards and wrappers." In corroboration of that the Stationery Office, in their Report for the year 1881, say this: "The paper rates introduced into the last contracts are not unfairly high, but the rates allowed by the more important contracts of 1877 and 1878, which at the time were thought to represent fair average prices, are considerably higher than those at which the paper can now be bought in the open market." Then they say in another report, somewhere, that the paper contracts entered into about that time show that even more strongly.

1259. What report are you referring to?—It is the Report of 1887. The Report says, "There has been only one considerable break in the successive fall of prices as tested by the tenders received at the Stationery Office. This was between the years 1870 and 1875, when for a time it seemed probable that the lowest point had been reached, and that the prices would rise again." This check in the decline of prices occurring as it did in the year or two immediately preceding the grant of new printing contracts, in which for the first time the department surrendered the advantage of buying paper in the open market, and contracted for the supply by the printers at certain fixed rates, was unfortunate for the Stationery Office."

1260. Does that refer to all the Government Departments?—The Stationery Office is the great authority for paper.

1261. *Chairman.*] Are you aware whether at the time of this contract it was thought necessary to consider the question of a possible further fall in the market value of paper, having regard to the length of time for which Messrs. De La Rue required the contract to run?—Sir Charles said, "The most important point with me is the pressure put upon me by the Post Office to conclude terms about the stamps, because I am imperilling millions of revenue there. The stamps were unsafe, and we had been dilly-dallying for a year or two, and, of course, the sums represented in the Post Office revenue by the post cards and wrappers was only a few hundred thousands compared with what the adhesive stamps represented in revenue, and therefore he had first to look to the safety of the Post Office revenue."

1262. So as not to leave them without stamps?—Yes, and so as to get safe stamps, because the stamps then existing had been proved to be unsafe.

1263. Mr. Robinson told us that, under Sir Charles Herries, you had the preparation of these tenders?—Yes; Sir Charles Herries took some part himself, but I think it was prepared in my Department, under his directions. In fact, I have a copy here (*handing the same to the honourable Member*).

1264. I asked Mr. Robinson who drew the form of tender, and he said it was drawn by Mr. Cousins?—I understand you to refer to the forms of "terms of contract." There was no form of tender. The tender was in the form of a letter from each competitor, but there were terms of contract drawn up.

1265. This is the document which you handed to each competitor?—Yes.

1266. Is this the one which we have had printed with our Minutes?—I think Mr. Robinson left a copy of it with the Committee the other day.

1267. This has got no date of any sort?—I do not know that it was ever dated. There was a letter written to each competitor by the then Secretary to the Board.

1268. You have handed me a document which you say was the form handed to each competitor, inviting a tender; this seems to be the same as we have printed with our Minutes; but now I want the original of that?—I do not
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know of any original, except it may be this. I have here a report, in which I say, "In inviting the tenders, I think that some such conditions as the following might be insisted upon" (*handing the same to the honourable Member*). That would be a report to the Board. Sir Charles, I think, partly drew up those conditions. The original draft of the terms of contract is not in existence, so far as I know.

1269. I want to get from you what went out to the tenderers?—What I have handed to you is a copy of that.

1270. I ask how do you prove it, because there is no proof; there is no date or anything on it; this is a mere memorandum?—That I believe to be a copy of it.

1271. Do you know, as a fact?—I cannot possibly say.

1272. Can you give us any document that you know actually went out to the tenderers?—I cannot give you any document that I actually know went out to the tenderers.

1273. Do you mean to say that a contract of this great importance was sent out without any terms whatever?—There were these terms which have been printed.

1274. You say you cannot tell me whether that actually went to the tenderers; you found this in the office, but you are not prepared to say, positively, that it went?—I am not, because my then assistant delivered them out, and he is dead. He reported to the Board that each one had had a copy of what the Board had approved.

1275. Do not the public offices keep tenders of an important contract of this sort, a contract lasting for 10 years?—That was a seven years' contract; and was embodied in the consolidated contract.

1276. Mr. *Mowbray*.] I understood there was no contract at all; this Paper headed "Terms of Contract," is a mere memorandum?—That is the invitation for the contract, it was never turned into a contract.

1277. Mr. *Dixon-Hartland*.] We hear from Mr. Robinson that you drew the form of tender; we hear from you that the form of tender was sent out to everybody for the penny postage contract, that is, the one which Messrs. De La Rue first accepted. Now I want to have that original form?—I cannot give it to you.

1278. Do you say that the office have kept no record whatever of what they asked the seven firms to tender for?—The original one was the one that Mr. Robinson handed in to the Committee the other day, I believe.

1279. I understand that we shall have that presently. At any rate, you are prepared to say that with this letter of the 3rd of April 1879, a form went out by which the parties would know what they had to tender for?—No; if you notice that letter asks them to come to my office, and a form was delivered to each as he called.

1280. Was a form delivered to each person?—Yes.

1281. How do you know?—Because the tenders came in.

1282. Have you got one of the tenders?—I mean the replies came in.

1283. Will you give me one of the replies; can you give me one reply to any one of the tenders. I am speaking of the penny postage, because, as I understand, that was the first negotiation?—That was the first negotiation.

1284. Then afterwards you went into the question of the supplemental matters?—Yes.

1285. Have you got a single answer from a single tenderer?—I have here the answer of the successful tenderer, Messrs. De La Rue (*handing the same to the honourable Member*).

1286. I should like to have the answers from the others?—You can have them if they are in existence; they are not here; I do not know whether they are all in existence.

1287. Have you got one here?—I do not think we have any here but what I have just handed you.

1288. I should like to have some of them produced. According to this document handed in (I mean this letter from Messrs. De La Rue, 17th May 1879) there is no suggestion or mention of competition in any way; it is merely that

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that they had been asked specially to issue a tender?—Here is another, which will show that there was competition (*handing the same to the honourable Member*).

1289. Who is this signed by?—Messrs. Skipper and East.

1290. That was not one of the names given the other day. Can you kindly give me the names of all the tenderers; the names we had, besides De La Rue, were McCorquodale, Waterlow, and Perkins & Bacon?—Then they budded out into others, because we went to the Controller of the Stationery Office for advice, as to whether there should not be other tenderers, and he gave certain names.

1291. This letter which you have just handed to me is not a tender; this is a mere inquiry; it says, "In reference to the contract for penny postage stamps, the following questions suggest themselves to us: (1st) The daily hours of business," and so on; and then it ends with these words, "We shall be much obliged if you will favour us with the necessary particulars on these points"?—Here is Messrs. McCorquodales (*producing the same*). This letter says, "We duly received your favour of 3rd instant, inviting us to tender for the supply of penny postage stamps. Having obtained a copy of the particulars of contract from Mr. Cousins' Department, we shall be glad to be included in the list of competitors" (*handing the letter to the honourable Member*).

1292. Yes, this is a tender. Was this tender of Messrs. De La Rue's, of the 17th May 1879, the first sent in with regard to the penny postage stamp?—I am afraid I cannot answer that; I am not sufficiently familiar with the matter.

1293. And you cannot tell me how many tenders Messrs. De La Rue did send in?—The tenders were all opened at the full Board, in the presence of the Secretary.

1294. How is it that this tender of McCorquodale's is dated the 7th of April, and the other, De La Rue's letter, is the 17th of May, and Skipper and East is dated the 25th of April?—Messrs. McCorquodale's letter is simply the acknowledgment of the receipt of the terms; it is merely asking to be included in the list of competitors, whereas Messrs. De La Rue's is the actual tender which, I suppose, was opened in the Board-room on the day of competition.

1295. I can hardly agree to that; it appears to be so on the face of it, but if you look at it you find the No. 3,257 is marked upon it as a tender coming in, and Messrs. McCorquodale's letter is numbered 2,385?—That is the register number.

1296. I thought you told us these numbers were private numbers that were attached to each tender sent in, so that the Board would not know who were the tenderers till one was accepted?—That I believe to be the case, but I cannot speak personally about it, because I was not at the Board, and never saw the references.

1297. Mr. Jackson.] Is the number on the paper the register number of the office, or is it the number that was applied to the tender only?—It is the register number of the paper of each tenderer; it appears to be so.

1298. Is it the register number of the office of the Department?—Yes.

1299. Mr. Dixon-Hartland.] But I do not gather that; I understood from your examination in chief, that 3,257 was the contract which fulfilled all the conditions, and was to be accepted; the other tenders were all marked with a number in the same way before they were opened, so that nobody knew who the tenderers were until a decision had been arrived at; here is one with a number upon it, 2,385; I want to know how you account for the difference of dates of these two letters, both of them being numbered; the stamp is exactly the same, with the words "stamps," "Secretary," upon it, and the number put in?—That is the register number.

1300. Mr. Jackson.] I understand that the numbers on these papers are the register numbers which are given to them by the Department when the letters are received?—Certainly.

1301. Though there may be a coincidence in the case of one of them, in that the number put upon the tender as a private number happens to be the same as
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the register number; that is a mere coincidence, and not necessarily the course that was followed with regard to all of them?—Quite so. I suppose when the tenders went to the Board, instead of having the names, the office number that first appeared was taken as the number of the tender. I suppose so, because we have the tenders here, running from 3,251 consecutively.

1302. What is the first?—3,251.

1303. And what are the rest?—3,252, 3,253, 3,254, 3,256, and 3,257. These tenders, as I understood at the time, were all taken in by the Secretary, sealed, to the Board, the Board being all present, and their Secretary.

1304. Mr. *Dixon-Hartland*.] That is not evidence if you cannot say positively?—I cannot say positively, because I was not present.

1305. You gave us the number of 3,257 as the number of Messrs. De La Rue's tender; can you give me the number of the other tenders?—3,257 is De La Rue's, 3,255 is McCorquodale's, 3,254 is Skipper and East's, and 3,253 is Waterlow's; 3,252 is Bradbury and Wilkinson, and 3,251 is Perkins and Bacon, according to the pencil notes here.

1306. Mr. *Heneage*.] How many tenders does that make altogether?—Six.

1307. Mr. *Dixon-Hartland*.] I want to see those other tenders, or any of them, marked according to the number you have given me?—They are not here now; I cannot tell you whether they are in existence. My colleague says they are in existence, he believes; but we must look and see.

1308. It is most important we should see these tenders, because we want to know the difference in price?—We believe them to be in existence.

1309. I should like to give notice that they be produced at the next meeting of the Committee; will you produce them at the next meeting?—We will endeavour to do so; they were kept by the late secretary, and I believe they are all there.

1310. You cannot tell me, I presume, what the difference in the tenders was?—If you mean the difference in the price, that is given in the long Minute in the Parliamentary Paper that is before the House (*handing the same to the honourable Member*).

1311. That refers to the tenders A., B., C., D., E., and F.; those are not numbered?—I have not the tenders here.

1312. Just before these tenders were sent in did Messrs. De La Rue come to Somerset House with regard to them?—I cannot say.

1313. They did not see you?—I cannot say at this distance of time whether they saw Sir Charles Herries, or saw me.

1314. Are you prepared to state whether the tender was not sent out under their suggestion; I mean that they suggested the form of tender that the Department should send out?—It certainly was not.

1315. Are we to understand that they did not suggest anything?—There was a suggestion about the surface printing. This was the new style of printing which the Post Office said they wanted.

1316. Did Messrs. De La Rue suggest that certain things should be put into the tender, which things were afterwards put in?—Only about the surface printing. Sir Charles Herries said to Messrs. De La Rue, "as the Post Office like this class of printing will you describe to me what surface printing is," and I have no doubt that the words about surface printing, whatever they are, were originally suggested by Messrs. De La Rue to Sir Charles Herries.

1317. In fact, they being tenderers, suggested the form of tender that should be sent out to their competitors?—No; they were engravers and specialists to the Department for 30 years before, and had always been consulted by the Chairman in that capacity.

1318. But they were going to tender with other firms?—That was not known when Sir Charles Herries put that question to them. At the time he put that question to them the competition was intended to be confined between them and Messrs. Perkins and Bacon, who were the then contractors; but the idea afterwards extended, and six or seven firms came in, and Sir Charles Herries brought into the specification, no doubt, these words about surface printing.

1319. Was it not a matter of fact that that suggestion made by Messrs. De La Rue

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La Rue were put into the tender when they were tenderers themselves?—I do not know that. I have never heard of it before.

1320. You are not prepared to say that it is not so?—No, I never heard of it before so far as I know.

1321. You said just now that they came and suggested that something as to surface printing should be put into the terms of tender?—Yes, as to that class.

1322. That is what I ask?—But not all the conditions of the tender.

1323. I never said so. I merely said, did not Messrs. De La Rue's firm call at the Inland Revenue and make suggestions which were actually put into the tender for which they were competitors?—Not at the time they were going to be competitors.

1324. Before they were competitors?—Nearly six or eight months before, when the competition was to be only between them and Messrs. Perkins and Bacon.

1325. How did they know there was going to be no competition?—Because the Post Office wrote in 1878 objecting to Messrs. Perkins and Bacon's stamps, and asking for stamps like Messrs. De La Rue's stamps.

1326. When was that?—That was in Sir John Tilley's time.

1327. The correspondence that you read did not at all bear out that statement?—This is a letter of the 11th of April 1878, of Sir John Tilley to Sir Charles Herries: "I would ask your particular attention to a letter I write to you officially to-day, on the subject of a new penny postage stamp, it having been found that those now in use can be easily cleaned with chloroform. I presume the difficulty in the way of any change would arise from the existing contract for making the penny stamps." Upon that Sir Charles saw Messrs. De La Rue, after some correspondence between him and Sir John Tilley; and he said to Messrs. De La Rue, "Will you describe these stamps; I will not be a party to poor old Perkins and Bacon, who have worked for us 40 years, being deprived of this work without there being a sort of competition between you, to see if Perkins and Bacon can produce as good work as you, although the Post Office have approved of your stamps"; and in order to instruct Messrs. Perkins and Bacon, or to give them an idea of what they have to do, I have no doubt, though I cannot say positively, that Sir Charles asked Messrs. De La Rue to give him a memorandum about surface printing.

1328. Practically you admit that they gave the suggestions to the Inland Revenue, which were afterwards put into the tenders?—Because they were the sole owners of the secret.

1329. Then what was the good of putting it up for tender if they were the sole owners of a process that was to be put into the tender; was not the whole thing, putting it up to tender, a farce?—I do not think so; I was one who thought there ought to be a competition.

1330. I do not doubt it from what you have told us about the envelopes, but if a firm had got a particular patent, and nobody else can use that patent or secret process, and you put into your tender that stamps are to be made by that process only, is it not a mere farce to ask other people to tender for that contract, when they cannot use that process?—If that is the only process which the Post Office would accept, what else could we do.

1331. I agree to that, but this is not the point. The point I was putting is, was not the tender a farce. I do not say it was not right that those people should not be employed; but I ask what was the good of tendering at all under those conditions, if, practically, no one could tender?—Sir Charles Herries thought, and I thought, there ought to be a competition.

1332. Now going to the second contract: there were two contracts in a certain sense; the first was for the penny postage stamp. That was put up to tender, and De La Rue's tender was accepted; and then there was a second contract for the halfpenny, three-halfpenny, and twopenny stamps which was given them, and those two contracts were consolidated in the agreement which we have seen to day?—Yes.

1333. With regard to the second part of the contract; were the Board unanimous in accepting that contract?—I was not present, so I cannot say.

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1334. Shall we see anybody who was present. Is there anybody who can give us information about the feeling of the Board at that time?—I did hear (in fact I have the paper here) that one of the members of the Board, in the year 1879, said he would like to propose Government manufacture, and I reported upon that, but seeing that it involved a large outlay for plant, and the pressure of the Post Office was so great, that they said they would not wait; I think Sir Charles Herries and his colleagues thought it impracticable at the time. Whether the member of the Board who made that suggestion acquiesced in the decision at which the Board arrived ultimately it is impossible for me to say, but I never heard of his entering a formal protest against it.

1335. What I wanted to ask was whether tender 3,257 was accepted before it was known who the tenderer was?—You must ask the people who were present in the Board-room that question. I never heard a whisper about that.

1336. Can you tell me from whom I can get this information; whether it was well known before the tenders were accepted who the tenderers were?—The Parliamentary Paper which is now before the House distinctly states that the tenders were opened in the Board-room in the presence of the Board and of their secretary.

1337. Does it state that the names of the tenderers were not known before the tenders were accepted?—I never heard an inkling of an idea of such a thing before; it is news to me.

1338. Can you suggest any one who can give us the information?—I should say the late secretary, Mr. Garnett; he is now a retired officer.

1339. I think it is very desirable that we should know what took place upon the Board when that contract was accepted. If the information given me is correct, the names were known before the tenders were accepted, and they were not taken from the numbers only?—May I be allowed to read the part of the Parliamentary Paper which relates to this contract. It is this: "The specimen stamps delivered with each tender were referred by the Board under number and without name to the Board's chemical and practical officers. On application of the chemical tests, it appeared that there was but one tender which thoroughly fulfilled the chemical conditions to which the safety of the revenue required a rigid adherence. The tenders were opened by the Secretary at a full attendance of the Board, and a synopsis of each tender as it was opened was made by the Chairman of the Board." That is what is stated in the Parliamentary Paper. As to the real facts, I can only say that I never heard this disputed before; but I was not present.

1340. You said that the contract for the penny postage stamp was, in your opinion, and is still, as I understand, advantageous?—As compared with the pre-existing prices.

1341. You still think, as I understand, that the penny postage contract was a proper contract?—Certainly.

1342. That was the one for which you say tenders were made?—The tenders were sent out for that particular contract.

1343. Then you are not satisfied with the rest of the contract?—You mean the post cards and wrappers.

1344. We have it stated that the contract for which tenders were said to be sent out came to a sum of about 15,000 *l.*, and that there was a subsequent contract which was afterwards consolidated with it, which came to about four times that amount. Therefore, for the larger proportion of the whole consolidated contract there was no tender at all. Now I ask you, were you satisfied with that second part of the contract?—That was already under a contract which had then about three years to run.

1345. Have you noticed that Messrs. De La Rue have made an offer to reduce the contract, which had three years to run, by 10,000 *l.* if they were allowed to get one for ten years?—They asked for a 17 years' contract in all, which Sir Charles Herries refused.

1346. My question is this: Did you notice that Messrs. De La Rue wrote to make an offer of a reduction of 10,500 *l.* if they are allowed to give up that contract for three years and take a prolonged contract?—Yes, that is what they did.

1347. Did

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1347. Did not that raise a suspicion in your mind that no firm would give up that large amount and keep the contract unless there was still some profit to be got at the reduced terms?—The policy of the tender was never in my hands. The Chairman of the Board has always taken that to himself.

1348. You have told us, as I understand, that you drew up the tender: did it not raise a suspicion in your mind that you had taken too high an estimate for this work, if Messrs. De La Rue were willing to reduce the amount by so large a sum as 10,500 £, and that, therefore, you ought not to give them the contract without putting it up to tender?—The Board never asked my opinion about that point.

1349. You did not have anything to do with that?—No.

1349*. Have you formed any opinion as to the profits to be made under this contract per annum?—No. In my capacity as Income-Tax Secretary I have some knowledge of Messrs. De La Rue's general profits, but, of course, it would not be fair to use that knowledge, nor can I form any sort of opinion as to the relative proportion of their profits due to this contract.

1350. Have you not formed any opinion from the drop in the value of the paper and the various things in the contract?—No; I am engaged with other subjects.

1351. I see that in Messrs. De La Rue's letter of the 30th January there was a sliding scale fixed for the price of adhesive stamps against the Government. If there was a sliding scale against the Government, why was there not a sliding scale in favour of the Government?—So there was. It was 10 per cent. upon the quantities of the contract year by year; and if the prices had been unchanged, and remained as they were at the time of the contract, the savings under the contract would have averaged 30,000 £ a year.

1352. Am I to understand from you that if the paper went down in value the Department got an advantage from that?—No.

1353. There is a sliding scale for the price, as far as the contractors are concerned; how is it that there is not a sliding scale in favour of the Government?—I cannot answer that question; I am not answerable for that part of the arrangement.

1354. Mr. *Henniker Heaton*.] You stated that you were constantly in communication with Sir Charles Herries, and that you were Controller of Stamps at the time that this contract was made?—Yes.

1355. Who drew up this agreement?—I think our solicitor.

1356. Did you instruct him with regard to any portion of it?—I did not instruct him, but I think it was sent to me after it had been drawn up by our solicitor, or to one of my assistants.

1357. The contract for the stamps was accepted in May 1879, was it not?—I believe that was the date.

1358. This agreement is dated March 1880?—Yes.

1359. Was there any other agreement between Messrs. De La Rue and the Government before this was made?—Do you mean in the interval?

1360. Yes?—Not that I recollect.

1361. Between the date when the contract was accepted in 1879 and this, was there an agreement?—I think not. I think there was simply the letters.

1362. Did you, before recommending the Board of Inland Revenue to accept without competition Messrs. De La Rue's offer in 1880 for the supply of post-cards, newspaper wrappers, envelopes, &c., make any inquiry as to the value of the material to satisfy yourself that the prices were reasonable?—I did not recommend the acceptance of the contract.

1363. It was not your duty as Controller to do so?—Not necessarily.

1364. In 1880, what was the yearly cost of the penny postage adhesive stamps, which appear to have been the only articles which were at that time competed for?—The payments to Messrs. Perkins, Bacon & Co. were about 24,000 £ a year.

1365. What was the yearly cost in 1880 of all the other articles, the supply of which was given to Messrs. De La Rue without competition?—About 80,000 £, I think I have it down here as 112,000 £ for all.

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1366. Is it not the fact, relying upon the Inland Revenue experts, and following the English prices, the India Office gave Messrs. De La Rue the contract for the supply of their postcards without competition?—I never heard of that.

1367. Are you aware why it is that the India Office gave that contract to Messrs. De La Rue?—We had nothing to do with it.

1368. You have no idea what the yearly payment of the India Office for stamps to Messrs. De La Rue would be?—I do not know.

1369. Are not Messrs. De La Rue's bills paid monthly?—Yes, they are paid monthly.

1370. In the Estimates for the current year, I find 99,000 *l.* put down for postcards, newspaper wrappers, and envelopes; what would Messrs. De La Rue's amount come to?—I can form no idea.

1371. Do you know what will be the total amount paid to Messrs. De La Rue during the currency of the present contract for the supply of post cards, newspaper wrappers, and envelopes, under that contract?—No.

1372. You have no idea?—No; it would depend upon the issues of such articles.

1373. Is there anything technical in the manufacture of post cards, newspaper wrappers, or envelopes?—In the inks I have always understood that there is.

1373.* Does it involve anything more than good printer's work?—That I cannot tell.

1374. Is there any foundation for the statement that the conditions of tender for the penny postage adhesive stamps in 1880 were in any way drawn upon the lines suggested by Messrs. De La Rue?—Not beyond what I have stated in regard to the surface printing, and surface printing I do not think is peculiar to Messrs. De La Rue.

1375. Have you had any conference with Messrs. De La Rue since the inquiries which were made in the House of Commons?—No.

1376. No communication?—No. I have seen them once or twice when they came about the Indian business, but I have had no conferences with them.

1377. Can you tell us what were the circumstances connected with Messrs. De La Rue & Co. getting the contract without tender for the whole of what has been called the inferior postal articles. Will you state why that was given to them without competition?—Merely the pressure of the Post Office to bring things to an issue.

1378. Have you any documents to show that the Post Office brought pressure?—There were several urgent letters; I quoted from one to-day.

1379. I do not mean anything that you have read to-day, but can you show us any documents saying that this thing ought to be settled without delay?—There is the letter of the 24th October 1878, in which occurs this passage: "His Lordship believes that the Commissioners will agree with him that for the credit of the country the Government ought not to be satisfied with a stamp which is not at least equal to any foreign stamp in circulation." That is one letter.

1380. Mr. Mowbray.] Does that refer to the penny stamp, or to the others?—To the others.

1381. Mr. Henniker Heaton.] What I want you to produce is a letter from the Post Office, showing that they required that the thing should be settled without delay; please do not read me any paper or letter about anything except that?—Those were verbal messages, I believe.

1382. Then you can produce no information as to how it came about that the contract for the inferior postal matters, which was a large contract for 112,000 *l.*, was given to Messrs. De La Rue without competition, except that you say there was pressure upon the part of the Post Office to settle the matter without delay?—That is it.

1383. Mr. Preston Bruce.] I wish to ask a question or two about these terms of contract which I have before me; do you suggest that Messrs. De La Rue may have had communications with Sir Charles Herries as to a particular portion of these terms?—I said that I thought it possible.

1384. If there were any communications at all about the terms, would those terms

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terms be those which are included in the fourth paragraph of this Paper, headed, "Terms of Contract," which is printed in the Appendix?—(After referring to the Paper) Those would be some such terms as Sir Charles Herries would discuss.

1385. Is there anything else in those terms of contract which you think could have been suggested by Messrs. De La Rue, except what is included in the paragraph to which I have called your attention?—Certainly not.

1386. Now with regard to this sliding scale of prices on page 2 of this same printed paper, in the letter dated 30th of January 1880; does that sliding scale refer entirely to the question of the quantities of the stamps supplied?—I believe it does.

1387. It has nothing to do with the prices of materials?—I am speaking from a recollection of events five or six years ago, and therefore I do not know whether I am speaking accurately, but I think that the prices charged go down with increased quantities.

1388. Then you think that the sliding scale has something to do with the prices of materials, and not merely with the quantities of stamps ordered?—I am told that it has to do merely with the quantities ordered.

1389. Can you say positively whether it has to do with the quantities only, or with the prices of materials?—It is five years since I was Controller of Stamps, and I would rather not answer the question.

1390. As I interpret it, it refers only to quantities. Will you kindly read the words, and say whether that is not the proper interpretation?—This says: "Provided we are enabled to make such changes as we have in mind, we are prepared to reduce the prices of post cards, newspaper wrappers, and postage envelopes by one-tenth, and to reduce the prices of the adhesive stamps to those set forth in Appendix (A). We have found it essential to fix sliding scales of prices for the adhesive stamps, seeing that the cost of production increases in a high ratio as the quantity ordered diminishes." The sliding scale there has reference to quantities, as I take it, and to quantities alone.

1391. *Chairman.*] To cost of production, and not to the price of paper?—Not to the price of paper.

1392-3. *Mr. Preston Bruce.*] Then I want to ask you this further question: Is it within your knowledge whether, when this contract was being considered, it was suggested that there might be a sliding scale with regard to prices of materials?—That is not within my knowledge, because I was not present at the consideration of the details.

1394. *Mr. Richard Chamberlain.*] As I understood the words which it was said were inserted at the suggestion of Messrs. De La Rue, were with reference to surface-printing, were they not?—Yes; I said that that might be so, but upon that point I could not speak with accuracy.

1395. Was anything else inserted at their suggestion?—Not to my knowledge.

1396. Is this surface-printing a patent, or a secret of Messrs. De La Rue's?—So far as my knowledge now goes I thought that surface-printing was Messrs. De La Rue's process as contra-distinguished from recess-printing on the part of Perkins, Bacon, & Co.; but it is so many years since I have had anything to do with it that I may be wrong.

1397. Then we must get from some other witness an answer to the question whether surface-printing is a secret of Messrs. De La Rue's?—Yes.

1398. *Mr. Jackson.*] You have told the Committee that there were six tenders for this work?—Yes.

1399. There has been something said about some special facilities, or some machinery or patent, which was possessed by Messrs. De La Rue at that time. I suppose the other firms who tendered were in a position to produce the work?—Yes.

1400. Does not that seem to be inconsistent with any monopoly on the part of Messrs. De La Rue to produce this particular kind of stamp?—They were invited to produce an identical stamp to Messrs. De La Rue.

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1401. They offered to do so?—They offered to do so.

1402. Therefore, presumably, they were in a position to do so?—Exactly.

1403. At the time this contract was made I understand you to have expressed the opinion that it was an advantageous contract?—Yes.

1404. Taking into consideration the conditions that were required to be performed you thought it was the best contract that you could obtain?—Yes.

1405. And you have no reason to alter your opinion after this lapse of years, that all things considered at that time, with the knowledge the Department then possessed, or with such power as they possessed of foreseeing the future, it was a proper contract to make?—Quite so.

1406. *Chairman.*] Are you not able to say whether all the tenders were received on one day, and opened on the same day by the Board?—I was not secretary to the Board then.

1407. You are not able to answer that question then?—No.

1408. *Mr. Raikes.*] You have volunteered a good deal of information with regard to the stamp contract, to which, so far as I know, no exception had been taken previously, but I am going to ask you to keep quite clear in your mind the stamp contract, and the other postal matters contract, because my questions will have reference to the latter?—You mean the post cards, I presume.

1409. The post cards, newspaper wrappers, and envelopes, what has been called the non-competitive contract. I am only going to ask you one question with regard to the stamps, to get the matter quite clear. You told us just now that Sir Charles Herries said, that he did not wish to go on dilly-dallying for fear of imperilling the Post Office revenue?—Yes.

1410. That observation had reference, had it not, to the question of stamps, and stamps only?—The half-penny, penny half-penny, and the twopenny.

1411. It had no reference to the envelopes, post cards, or newspaper wrappers?—No.

1412. And the pressure which you have told us was brought to bear by the Postmaster General of the day (who I think was Lord John Manners) for accelerating this transaction, had reference to that part, presumably, of the Post Office revenue, stamps?—Yes.

1413. I ask the question because you told us just now that you could only attribute the haste with which the contract was made for the inferior postal matter to the Post Office pressure, but I think you have no evidence that there was any Post Office pressure with regard to post cards, envelopes, and wrappers?—No. The Post Office, on the one hand, wanted terms to be concluded for the half-penny, the penny halfpenny, and the twopenny stamps; and on the other hand Messrs. De La Rue said, We will not go into this till we have concluded terms upon the whole contract, so that our Board was in a cleft stick.

1414. Then the reference to the pressure on the part of the Post Office only related to stamps?—Yes.

1415. You were Controller of Stamps and Stores at the time when that was done. What are the duties of the Controller of Stamps and Stores?—They are numerous; but the arrangement of contracts does not necessarily attach to him at all, or even inquiries in connection with them, except in so far as he receives orders from the Board.

1416. Is it not part of the duty of the Controller of Stamps to give the Board the benefit of his knowledge and experience with regard to such a question as the cost of the manufacture of stamps or stores for which they are asking tenders?—Not unless he is asked, especially in the case of a contract like that, where Sir Charles Herries kept the whole reins in his hands.

1417. Am I to understand that your opinion was not asked?—It was not asked.

1418. Not with regard to anything?—Not with regard to prices, except as regards envelopes, and there I was told to send one of my lieutenants, which I did.

1419. Whom would the Board consult, if they did not consult the Controller of Stamps?—The then Chairman was thoroughly acquainted with the matter of post cards. He had been the Commissioner who had had the inauguration of the post-card system. We have abundant evidence to show that he then went into

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into the figures entirely himself in 1870, and again reviewed the matter in 1876; but what he did in 1880 I cannot say. In 1880 it was simply pulling down the prices; it was not a settling of new prices; it was merely a question of how much could be got off.

1420. At any rate, in 1880, you were not consulted as to the cost of the manufacture of the articles that were then tendered for?—No.

1421. And you made no report?—I have no recollection of making any report, and I cannot trace that I ever made a report.

1422. Has not the present Controller been asked to report upon questions of this sort?—That just depends upon what views the Board takes upon the subject.

1423. If the Board wish to obtain information they go to the Controller, I understand, and if they do not wish to obtain information they do not go to the Controller?—Quite so.

1424. You have not made it part of your business to study the question of what were or were not fair trade profits in this matter?—No, I have not; because prior to that date those matters had always been settled by the Inspector of Stamping, another officer.

1425. Is that office still in existence?—There is an Inspector of Stamping, but he is not the same officer; he was one of the Hill family, and has now left us; but in the beginning of the wrapper and card question he had expressed the opinion that Messrs. De La Rue were the best and cheapest people to employ, and until he left us that matter had always rested with him. It was a new feature for me to be consulted about a contract at all, and I was only communicated with verbally to send out and inquire about the envelopes; as to the price of the wrappers and the cards, it was no part of my duty unless I was asked.

1426. You are Controller of Stores as well as of Stamps, are you not?—Yes.

1427. But it was not part of your duty as Controller of Stores to know anything about that?—Not unless I was invited.

1428. So far as you know, Sir Charles Herries acted upon his own judgment in the matter of this contract?—Quite so.

1429. And he had not recourse to any expert's advice?—He may have consulted an expert; he did not consult any official officer that I know of.

1430. As far as I gather from your evidence generally, the last person he would have consulted would have been the Controller of Stamps?—In all probability at that time.

1431. Mr. *Mowbray*.] I understand that the only competitive tenders were for the penny stamps, and that there were not any for stamps of the other denominations?—They were for the penny stamps only.

1432. Can you tell me how much of the 29,000 £. for printing and gumming adhesive stamps represents the penny stamps for which there were competitive tenders, and how much represents stamps of other denominations for which no tenders were asked for?—That is how it stands in the Votes of this year, and I cannot give you any explanation. The present Controller will no doubt give you that. I see it is said to be about 19,000 £. in the Paper I have here.

1433. Mr. *J. F. X. O'Brien*.] Questions have been asked you tending to show that Messrs. De La Rue possessed no secret means of manufacturing these stamps, inasmuch as others consented to tender for them. Was it not the opinion of the Board officials that the specimens offered by the other tenderers showed that they could not produce the article?—That, I believe, was the opinion of the chemical officer and the then Inspector of Stamping.

1434. As I understand, the penny stamps only were subjected to the tender. Does that go to prove that the other stamps need not be so good, or of so high a quality as the penny stamps?—Not in itself.

1435. Ought not the higher class of stamps also to be of as good a quality as the penny stamps?—Yes; the whole of the adhesive postage stamps are of the same quality, that is to say, the shilling, the sixpenny, the penny, and all of them are now of the same quality, as I understand.

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MR. JOHN S. PURCELL, c.B., called in ; and Examined.

1436. *Chairman.*] You are the Controller of Stamps, I believe, at this moment?—I hold the dual office of Controller of Stamps and Registrar of Joint Stock Companies, the former under the Board of Inland Revenue, and the latter under the Board of Trade.

1437. You have heard, I think, the evidence that has been given with respect to the contract with Messrs. De La Rue some years ago?—I have.

1438. Have you any additional information to give us with respect to that contract and the circumstances under which it was made?—I had no personal knowledge myself of the negotiations at the time, but the history of the transaction, as I gather it from reading the official papers, is not quite in accordance with what the preceding witness mentioned.

1439. *Mr. Dixon-Hartland.*] We should like to see any papers you rely upon, if you can produce them?—The papers, no doubt, will be produced by the Board of Inland Revenue. I am only an officer of the Board, and it would not be possible for me to produce them; it would be for the Board of Inland Revenue to produce them if they think proper. The history, as I understand it, is this: the Post Office wished to have surface-printed penny stamps instead of recess-printed stamps, which were theretofore made by Messrs. Perkins and Bacon; accordingly, there was a competition, and the result of that competition was, that Messrs. De La Rue won. They were informed that they won the competition in June 1879, and they were instructed to proceed at once with the manufacture of the stamps; they commenced delivering the stamps at the end of the year 1879; then there was some arrangement with regard to the other stamps, namely, the halfpenny, three-halfpenny, and twopenny values; but it was not until January 1880 that any letter was received from Messrs. De La Rue, so far as the papers show, with regard to the post cards, wrappers, and envelopes; the inferior class of articles. The first suggestion for the extension of the contract apparently came from Messrs. De La Rue; they offered, if their contract for post cards, wrappers, and envelopes, which then, in January 1880, had some three years to run, were extended for, I believe, 15 years, to reduce the price upon these article 10 per cent. At that time they had only been invited to tender for the penny postage adhesive stamps for seven years, and they won the tender, as I have said. In the result, the Board of Inland Revenue gave Messrs. De La Rue an extension of their post card, wrapper, and newspaper contract for eight years; that is to say, a consolidated contract was made on the 25th of March 1880, which, however, was to run from the 31st of December 1880, so that, in effect, instead of getting the contract for adhesive stamps for seven years, they got a contract for 11 years. In effect, they got a contract for post cards, wrappers, and envelopes for 10 years from the 31st of December, at which date the previous post card, wrapper, and envelope contract would have had but two years to run: that is to say, they got it for eight years more. That is the history, as I read it, from the official papers.

1440. *Chairman.*] What more would you wish to add?—On that subject I have no further knowledge.

1441. Can you throw any further light upon the question which we have been considering, and upon which we have been examining the previous witness; I mean with regard to this contract?—Do you mean with regard to price?

1442. I mean, have you anything further that you wish to say upon the whole matter; I will put it in this way; we have the facts pretty exhaustively before us, so far as I understand. But I gather that you are prepared to give evidence, and I wish to ask you what further light you can throw upon these transactions?—I think perhaps it would clear the ground if I were to state at once to the Committee that, in my opinion, the prices now paid for the manufacture of adhesive

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adhesive stamps, the estimate for which for the current year stands at 29,000 *l.*, are not unreasonable; that is for the manufacture as distinguished from the paper in connection with the adhesive stamp. There is a special contract for the paper. Messrs. De La Rue have nothing to do with the paper. Their contract is for the manufacture of adhesive stamps, that is to say, the printing, gumming, and perforating. In my opinion the prices now paid to Messrs. De La Rue for the manufacture are not unreasonable, having regard to the special and technical character of the work, and to the peculiar requirements that the British postage stamp has to meet. Indeed, I think it is only due to Messrs. De La Rue that I should say that I consider (and in this view I think experts will agree with me) that for clearness in execution, for quality of work, and for effectiveness as against re-use, there are no surface-printed stamps in the world superior, if equal, to those produced by Messrs. De La Rue's firm.

1443. Have you before you a Paper which has been placed in our hands, headed, "Terms of Contract"?—I know nothing of that.

1444. Will you just look at this copy, and you will see a little more than half-way down the page, at the paragraph beginning, "Provided we are enabled—"; just below that you will find this statement on the part of Messrs. De La Rue: "We have found it essential to fix sliding scales of prices for the adhesive stamps, seeing that the cost of production increases in a high ratio as the quantity ordered diminishes." Do we understand you to say that the contract in question did not include the charge for the paper, but simply for the cost of stamping the paper?—The cost of printing, gumming, and perforating, exclusive of the paper, which is made by another firm.

1445. Therefore that sliding scale of prices had nothing to do with the rise or fall in the price of paper?—Certainly not.

1446. Will you proceed with your statement?—So much for the adhesive stamps. I should say that the work of Messrs. De La Rue, generally, is admirable and of a very high order; but I am bound to tell the Committee that, in my opinion, I do not consider there is anything technical or uncommon in the manufacture of newspaper wrappers, post-cards, and envelopes.

1447. Mr. *Dixon-Hartland*.] You gave 29,000 *l.* as the figure paid for the manufacture of adhesive stamps; how much would it be for the paper?—Roughly speaking, the paper comes to 11,000 *l.*

1448. I think you misunderstand me; I mean how much do these inferior articles that you are speaking about now come to?—The newspaper wrappers, envelopes, and post-cards would come to 99,000 *l.*

1449. *Chairman*.] Now, in the remarks which you are about to make, will you address your mind to the question of the reasonableness or otherwise of the contract at the time it was made?—Certainly. I should like to say that the result of my inquiries and calculations is that post-cards, wrappers, and envelopes, equal to those supplied by the present contractors, can, in my opinion, be obtained elsewhere at a very large reduction in the prices now paid.

1450. I ask you to address your mind to the question of the reasonableness of the contract when it was made. We all know that there has been a fall in the price of paper; I want you to give us the benefit of your judgment on the question of whether it was a wise contract at the time it was made?—In my opinion much better terms could have been obtained at the time.

1451. On what do you base that opinion?—At that time the price of card-board and paper was about 33 per cent. higher than at the present moment; that is my belief, but nevertheless I say that at that time had there been a competition, a very large reduction on the then prices could have been obtained.

1452. On what do you base that opinion?—My calculations are based upon this: First, upon the general knowledge which I have acquired in the course of the four and a-half years during which I have been Controller of Stamps; secondly, upon the information that I gathered when I officially inspected the Continental stamp factories; and, thirdly, upon the prices which in the course of the last two years I have from time to time obtained by means of personal friends and others. My object was to endeavour to ascertain the prices in the interest of the State, and to see whether we were not really paying too much. In a

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Report which has been alluded to by the Chairman of the Board of Inland Revenue I brought out all those matters. I had no intention of stirring in the subject at all until the time for the expiration of the contracts had more closely approached, but certain circumstances occurred through the appointment of a Contract Committee, which in a manner superseded me, that led to my writing this Report. That course I felt was due to the Board of Inland Revenue, and due to my official reputation, in order that the Board should know that I had not been neglecting my duty in endeavouring to arrive at the proper prices which should be paid. My desire had always been that at the time when the contract was about to run out I should be able to advise them as to what prices they ought to look for, and be able to meet any contentions that might be put forward by the present contractors.

1453. It is in evidence before us that there has been since this contract was made a very considerable fall in the market value and the price of paper; you speak of an experience dating from four and a-half years back?—Yes, as Controller of Stamps.

1454. But you have not yet explained to the Committee upon what facts you base the opinion that at the time the contract was made it was not a wise contract?—My opinion is, and I believe there is no doubt, that in 1880 the price of cardboard and paper was 33 per cent. higher than at present; nevertheless, the information which I have obtained satisfies me, or at any rate, to the best of my judgment, I believe, that at that time had there been a competition very much lower prices than were then obtained would have been got.

1455. At the time of the contract I do not understand you to say you formed this opinion, or were in a position to do so?—No; I had nothing to do with it.

1456. Will you explain to the Committee how in the course of subsequent experiments you have come into possession of knowledge which enables you to express a confident opinion about the wisdom of that contract at the time it was made?—I do not express any opinion as to the wisdom of the contract at all. I merely express this opinion: that looking at the prices now, and looking at the prices then, it is my belief, apart from other circumstances (and I know nothing of the other circumstances), had there been competition the supplies might have been obtained elsewhere at a less price.

1457. I do not understand how you arrive at that conclusion by a comparison of the prices then and the prices now. It is admitted on all hands that there has been a very heavy and continuous fall in the price of paper since then, which was not foreseen at that time; is it your view that the fall ought to have been foreseen?—I say, and I think I can show the Committee that I have worked it out, that, making allowance for that fall, the profit that then was obtained by the contractor was a very large one indeed.

1458. Will you kindly give us the calculations upon which you base that opinion?—At the present time the Post Office pays for thin cards 3s. 7½d. per thousand. In my opinion, similar articles can be obtained elsewhere for 2s. a thousand.

1459. Mr. *Dixon-Hartland*.] Would you add what they sell at?—The selling price to the public is 6s. 11½d. per thousand.

1460. Does that include stamping and everything?—Yes, in both cases; that is the finished article. At the present time the Post Office pays for stout cards 11s. 3d. per thousand. In my opinion, similar articles can be obtained elsewhere for 5s. 9d. per thousand. The selling price to the public is 13s. 10½d. per thousand. At the present time the Post Office pays for newspaper wrappers 5s. per thousand. In my opinion, similar articles could be obtained elsewhere for 3s. 8d. per thousand. The selling price is 5s. 10½d. per thousand. At the present time the Post Office pays for A. sized envelopes 9s. 5d. per thousand. In my opinion, similar articles could be obtained elsewhere for 7s. 3d. per thousand. The selling price is 13s. 10½d. per thousand. At the present time the Post Office pays for C. sized envelopes 6s. 1½d. per thousand. In my opinion, similar articles could be obtained elsewhere for 4s. 11½d. per thousand. The selling price to the public is 6s. 11½d. per thousand. At the present time the Post Office pays for commercial envelopes 3s. 2½d. per thousand. In my opinion, similar articles could be obtained elsewhere

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where for 3 s. per thousand. The selling price to the public is 4 s. 2 d. per thousand. In estimating the prices for which, in my opinion, the articles could be now obtained, regard is, of course, had to the yearly consumption, namely, 80,000,000 of thin cards, 70,000,000 of stout cards, and 145,000,000 of wrappers. The sale of envelopes is now unimportant, the cost of them at present being only 5,000 l., and, therefore, I have not paid so close attention to envelopes as to post-cards and wrappers. Now, basing my calculations on the foregoing particulars, which would, in my opinion, be confirmed by competition, I was led to the conclusion that upon a total sum of 99,000 l.—the estimate for the current year for the supply of post-cards, wrappers and envelopes—a saving of 37,000 l. might be effected if the Department were free; some 10,000 l. of that arises from the fall in the price of material since 1880.

1461. *Chairman.*] You say that the reduction in the price of material would not on that amount be more than 10,000 l.?—Between 10,000 l. and 11,000 l.

1462. From these figures have you arrived at the conclusion that the contract was 27,000 l. too dear?—At the present moment we are paying, in my opinion, 27,000 l. too much; the 10,000 l. odd of course goes to the benefit of the contractor.

1463. Am I to understand, in your opinion, at the time of the contract we paid 27,000 l. too much?—You must bear in mind that the quantities were not so large in 1880 as they are now, and I have taken that into consideration.

1464. What deduction would you make on that account?—I can tell you what in my belief the amount was over the period of the whole 10 or 11 years' contract.

1465. That is not my question. As I understand, your figures bring us to this apparent conclusion, that our contract was 27,000 l. too dear in 1879–80?—The amount would not be 27,000 l. on the lesser quantity, upon which the profit would be proportionately less.

1466. By how much would you reduce the 27,000 l. in consequence of the quantities at that time being less than now?—You must remember that the fall has been gradual.

1467. At this moment you show that, after taking off a reduction of 10,000 l. for the fall in the price in paper, we have been paying 27,000 l. too much; but, as I understand, you propose to qualify that statement, having regard to the fact that at the time the contract was made the quantities were much smaller; my question is by how much would you reduce that 27,000 l. in consideration of that fact?—I can put it better in the way of a per-centage. I have not worked out the exact figure, but I will give the per-centage. I have based my calculations upon the present year's estimate of 99,000 l. If we take, for instance, thin cards, according to my calculations at the present time there is a profit of 53 per cent. to the contractor.

1468. I think I must ask you to give me an answer to my question, if you can. We have, so far, arrived at the figure of 27,000 l. We begin with an excess of price on present quantities and prices of 37,000 l., then you deduct 10,000 l. as due to the fall in the price of the raw material; and then you come to a hypothetical loss of 27,000 l. But then, as I understand, you say you must deduct something from that, because you could not have bought so cheaply then in consequence of the quantities being smaller. Now I want to know how much you deduct from the 27,000 l. in respect of that consideration?—In the year 1880 the price of cardboard was 33 per cent. higher than it is at present; if I place myself at that date I should say that at that time, instead of making 53 per cent., they were making 43 per cent.; it is a gradual fall. I could give you the gross figures over 11 years, but I cannot give you the exact figures in money for each year, although I can give the per-centage.

1469. Having begun with the figures of 37,000 l., and subtracted 10,000 l. for that, there being, as I understand, a further sum to subtract, it would be well if you could work it out and let us know what further sum you would subtract from the 27,000 l.?—It is only a question of arithmetic, but I have not worked it out in money; I have only worked it out in per-centages.

1470. Can you work it out?—Not at the moment.

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1471. *Mr. Dixon-Hartland.*] To get the figure for 1880 you have only to take 10 per cent. from the 53 per cent. you have given us, as I understand?—Yes.

1472. So that to get the figure in money, you have only to take 43 per cent. of the sum that was paid for that year as the amount that was paid too much; that is it, is it not?—That is so. I do not say 43 per cent. too much, I say 43 per cent. net profit.

1473. *Chairman.*] Do you say that the contract was 43 per cent. too high?—No, I do not say that; I say the net profit was 43 per cent. It is for the Committee to judge how much of that was too high.

1474. What we want to know is, how we can buy in the cheapest market?—If you ask what my idea is of what the net profit ought to have been, from inquiries I have made, I consider that when you take the cost of material, when you take the cost of labour, and when you add to that total cost, say 15 per cent. for fixed expenses, then I think a net profit upon that amount of 15 per cent. would be a reasonable net profit.

1475. But I do not think that we can quite accept that contribution of yours as throwing much light upon the subject, and let me explain to you why. What we want to know is, whether this contract was a reasonable contract at the time it was made? Now that does not depend in the least upon the amount of profit which the contractor makes, but upon the possibility of the Department getting better terms, and to what extent better terms could be got. Now the bulk of your evidence has been in that direction, or with the intention of showing that we could have got better terms; you have shown us that after deducting 10,000 *l.* for the fall in price of paper, there yet remains a margin of 27,000 *l.* in excess of the sum for which you think we ought to have made the contract, with this reserve, that you must take something off the 27,000 *l.* in consequence of the fact that the quantities then to be bought and sold were smaller than now. Now I want to know what deduction you would make from that 27,000 *l.* to arrive at the sum at which you think it would be possible to have obtained the contract at that time?—That 27,000 *l.* is arrived at after I have given a 15 per cent. net profit; that is over and above the 15 per cent. net profit.

1476. I do not think it matters to the Committee whether that is the process by which you have arrived at it or not. What we want to know is whether in your opinion a better contract, a distinctly better contract could have been made at the time, and by how much?—Of course there may have been circumstances that I am not aware of. I can only tell the Committee what you can obtain similar articles for elsewhere at the present time, and the prices you have to pay elsewhere.

1477. You arrive at a figure of 37,000 *l.*, and you say you must deduct 10,000 *l.* from the 37,000 *l.* to represent the fall in prices since 1880; and you say you must also make a further deduction, because the quantities ordered at that time were smaller than now?—No, I do not make any reduction on that ground. I say the amount would vary in regard to the quantity of yearly payment made.

1478. I thought it was part of your argument or your statement that you could buy in a cheaper market if you bought a larger quantity?—It was not part of my argument, although such is undoubtedly the case. I intended to explain to you that the amount of net profit varied in regard to the amount of the order.

1479. Your opinion of what ought to have been the contract at that time is based upon your belief or theory as to the amount of profits which would be made under the contract with Messrs. De La Rue, as I understand?—I have come to the conclusion from inquiries I have made that these articles could be supplied at a certain price. I then compare the price we are paying Messrs. De La Rue, and I make allowance for the fall in the value of the material.

1480. Are you familiar with the cost of production of the material?—I have made, as I said, in the course of the last two years numerous inquiries with the object of satisfying myself, and I am giving now the result of those inquiries.

1481. And on the whole you have come to the conclusion that a larger profit than what you would call a fair profit was made by Messrs. De La Rue irrespective of the fall in the price of paper?—That is my opinion.

1482. But

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1482. But you have not, have you, been able to come to any conclusion upon this question whether a better price could have been obtained by the Board of Inland Revenue at the time?—I can only say this: That having regard to the fact that paper was then 33 per cent. higher, and having regard to what I make out according to my calculations to be the amount of net profit now, I should say certainly, yes; but of course that would only have been proved by competition, and it would only be now proved by competition.

1483. Then you have no direct information enabling us to say that competition would have produced a better offer at that time?—I have said that in my opinion it would.

1484. You have no direct information to show that better terms would have been offered?—I can only deduce it.

1485. It is a matter of inference?—Quite so.

1486. Mr. *Raikes*.] I should just like to ask with regard to this question of net profit as a criterion of the legitimate price; would it not be a fair way to put what you have said to the Committee in this way: that when you have arrived at what you believe to be the net profit upon a particular transaction you assume from your general knowledge of the trade that other persons might have been willing to come forward with a tender which would realise a very much less profit than the contract we are dealing with?—Quite so.

1487. That, as I understand, is the theory upon which you have based your observations?—That is so.

1488. And when you have satisfied yourself that on any particular article a net profit of 43 per cent. is realised, you regard it as a fair conclusion to draw from that, that a very much better offer might have been obtained by the Department if they had gone into the open market?—That is so.

1489. The profit generally recognised, even in Government contracts, not amounting to 43 per cent. to the contractor?—I should say not.

1490. We had it from your predecessor that he did not regard it as one of the duties of the Controller of Stamps to obtain information or to impart it upon questions of this description to the Board; is that your view of the duty of the office?—No. I take my view of the duties of my office from the report of the Board of Inland Revenue upon the creation of my office, when they stated to the Treasury that they regarded their Controller of Stamps as their adviser in all matters relating to the introduction of new stamps, their sale, &c., and as the person to whom they would have recourse for advice and inquiries with regard to the practical, as distinguished from the legal, matters relating to the stamp revenue.

1491. And you have acted upon that view?—That was my reason for endeavouring to arrive at the present position of things with regard to the articles comprised in this contract; but, as I explained before, I had no intention of writing my report of the 8th February until the contract was near its expiration, inasmuch as I felt we had entered into the contract, and there was no use in disturbing it until the proper time arrived.

1492. When you made your report of the 8th February was not there also some negotiation proceeding with a view to the Indian contract for stamps?—Yés. I should say with regard to that, that I think what happened in that case will confirm my present calculations, and show that I am not very much outside the mark. Some two years ago I was appointed, as the executive officer of the Board of Inland Revenue, to control the manufacture of Indian stamps. It was necessary for me to make a report to the Under Secretary for India with regard to the whole matter. In this I stated, among other things, that, working upon the same principle upon which I have worked here, I believed that with regard to a certain Indian envelope a net profit of 50 per cent. was being made. Curiously enough, within six or seven months of my having written that report, a despatch arrived from Calcutta enclosing an offer from a large London house, through their Calcutta agent, to supply these very same articles at a sum 50 per cent. below that which the India Office were then paying. I submit that the London House in making that offer cannot be supposed to have offered to supply the article without making any profit at all, and therefore I think that that is some evidence that I was well within the mark. Again in 1882

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it was unofficially stated in my office by a member of another large London house that they were prepared to supply a stout card, exactly similar in every respect to that which we were having, for 7 s. per thousand, and for which we were paying 11 s. 3 d. Working still upon the same principle, when I take the cost of material now, and when I add to that the cost of labour and so on, I find that if I also add 33 per cent. for the fall in material, the present estimate comes out to the same figure, namely, 7 s. per thousand.

1493. Had the fall in the price of paper taken place between 1880 and 1882?—There was a gradual fall from 1880 to the present time; it has gone down by degrees until it has now reached the figure I have referred to. I may also say that I considered it my duty as regards the contract for Indian stamp papers, which are of a technical character as distinguished from post-cards, wrappers, and envelopes, to endeavour, in the same way as I had done with regard to post-cards, wrappers, and envelopes, to arrive at what would be the fair figure at which they could be supplied to the India Office, so that I might be able, when the time arrived, to see whether the offers were fair. I may say, in the first instance, it was the intention of the India Office, on my advice, to extend the stamped paper contract, which runs out in September of this year, for two-and-a-half years, so that all the contracts, English and Indian, should run out together at the end of 1890. Therefore I was extremely anxious to see what reduction we could get, supposing that we allowed the contract to be extended for two-and-a-half years. I came to the conclusion, and I told the India Office so, that on a sum of 34,000 l. it was my opinion that we could save 14,500 l. a year; 3,000 l. of that would be owing to change of material, but 14,500 l. was the total amount. That was the position, and when I found that the contractors were not inclined to come to terms on a basis such as I thought they ought, I then recommended the India Office to have a competition at once. Now, the result of those tenders will be known on the 1st of May next, and I think if my figures are borne out by that competition, there again there will be evidence that the principle upon which I have worked with regard to the English post-cards, wrappers, and envelopes is a sound principle.

1494. I understand those tenders will be in by the 1st of May; there will, therefore, be no objection to our having that report, I presume, at our next meeting, which will be the 1st of May?—I presume not, as the tenders will be in by 12 o'clock on that day; but that is a matter for the Board of Inland Revenue.

1495. Have you made any other reports, or addressed any other letters to the Board of Inland Revenue upon the subject in the course of the present year?—Not in the course of the present year; but I have made other reports upon this subject.

1496. How long ago?—I was appointed Controller of Stamps in October 1883, and in 1884 Mr. Fawcett, the then Postmaster General, named me as a member of the Joint Committee on Stamps which sat at the General Post Office. In the course of the discussion which took place there my attention was directed to what I saw was the feeling on the part of the Post Office officials that we were paying too much for our post-cards, wrappers, and envelopes, and I mentioned this fact informally to members of the Board. I was then sent abroad officially to inspect the various Continental stamp factories, and on my return I made a report to the Board, dated the 1st of May 1885, wherein I called attention to the prices we were paying for post-cards; they have no wrappers abroad. In my confidential report to the India Office I again alluded to the fact. That report was sent through the Board; and again in my report of the 13th of November 1886 to Sir Algernon West upon Messrs. De La Rue's application for an extension of their contracts.

1497. Mr. Dixon-Hartland.] When did they apply?—Messrs. De La Rue, I think, applied for an extension of their contracts a day or a week before the 13th of November 1886. I then made a report to Sir Algernon West; they wanted an extension of all their adhesive contracts, not only the English, but also the Indian, as well as of stamped papers. I strongly advised Sir Algernon West not to hear of it, but Sir Algernon must have already made up his mind, I think, that

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that he would extend no contract without competition. Then my last report upon this subject was on the 8th of February 1888.

1498. Mr. *Raikes*.] Is there, do you think, any material in that report of yours of November 1886 which would be useful to the Committee in forming a judgment upon this subject?—No, except that they will see there my strong views upon the matter.

1499. On the whole you think your report of the 8th of February 1888 will put the whole matter before us?—I should say that Sir Algernon West made a minute in that report of mine of November 1886, in which he distinctly said that he would not think of renewing any contract without competition.

1500. Did the Board make a minute upon your last report of the 8th of February this year?—They did.

1501. Mr. *David Plunket*.] Was that minute in the same direction as Sir Algernon West's previous view, namely, in favour of competition?—I believe there was some allusion to competition; it was certainly in the direction that Sir Algernon West and the Board would not be a party to renewing any contract without competition.

1502. Mr. *Raikes*.] I have only one other matter to ask you about. It has been said in evidence before the Committee, by Sir Algernon West, and also by Sir Arthur Blackwood, that in their opinion it might be desirable to transfer the branch of the Controller of Stamps and Stores from the Inland Revenue to the Post Office; should you see any objection to that course?—The only objection I see is a personal one. It would clip my wings very much.

1503. Apart from any personal consideration, do you see that there would be any administrative difficulty in the arrangement for the manufacture of stamps and stamping matters, and inferior postal matters, being conducted by the Post Office instead of the Inland Revenue?—None in the least.

1504. You cannot give the figure, can you, as to the amount of the Vote for Stamps, which represents those stamps which are manufactured simply for the Inland Revenue, apart from the ordinary stamps, which are both postage and Inland Revenue, and of which we have a calculation; can you give me the figure indicating the cost of the production of those stamps, which are exclusively used by the Inland Revenue?—Yes, I think I can. The face value of the yearly issue of adhesive postage stamps is, I understand, somewhere about the figure of ten millions of pounds. The cost of paper and manufacturing of stamps covered by this sum amounts roughly to 40,000*l.*, of which 29,000*l.* would be for the printing, gumming, perforating, &c., and 11,000*l.* for the paper. The Post Office pay to the Inland Revenue a sum of about 488,000*l.* a year in respect of adhesive postage stamps used for receipt and other Revenue purposes. Then, coming to the unified stamps, I should explain to the Committee that postage stamps up to half-a-crown are now available for Revenue, as well as for postage purposes, hence called unified stamps. The cost of the unified stamps used for Revenue purposes amounts to about 2,000*l.* a year for manufacture; so that when the Post Office pay us over, on account of our receipt duty, 488,000*l.* a year, as they do at the present moment (the amount is adjusted every three years), they pay that amount over 2,000*l.* short, so as to cover the cost of manufacture for the portion of the manufacture of the stamps used to collect that amount of money. At the present time the cost of manufacturing the Inland Revenue stamps proper, including fee stamps, is 800*l.* a year.

1505. Mr. *Mowbray*.] What Vote does that come under?—Under the Inland Revenue Vote. I think it comes to about 300*l.* for paper, and 500*l.* for printing, or *vice versa*; at all events, the whole amount paid by the Inland Revenue for the manufacture of Inland Revenue stamps proper, including that portion of postage stamps used for Revenue purposes, comes to 2,800*l.* a year.

1506. Mr. *Raikes*.] The amount paid by the Post Office is about 33,000*l.* in our Vote for the manufacture of stamps, is it not?—For adhesive stamps 40,000*l.*; but the Post Office pay altogether on account of stamps about 139,000*l.* a year.

1507. Mr. *Jackson*.] You have given us some very interesting calculations, based,

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based, I presume, upon the opinion you have formed, from information which you have obtained, as to the cost at which these cards and stamps can be produced to-day, and you have told us you would make some deduction for the fall in the price of paper since the time when the contract was made. Have you taken into account at all any improvements of processes which may have taken place since that time?—The intricate processes, I should say, refer chiefly to adhesive stamps. I know that at the present time post-cards can be turned out much less expensively than they could in 1880; but my calculations are based upon processes under which stamps were not turned out so fast as they are now. I know that within recent times stamps can be turned out more rapidly; that is to say, you can get from the machine a greater number of stamps in a given time than formerly; but my calculations are based on processes antecedent to those improvements.

1508. Then, in point of fact, the calculations you have given as to the prices at which you could obtain the articles now are not so low as you could put them?—They are probably not so low as they could be put if I were to go into that.

1509. You said in your evidence, that there may have been considerations at the time that contract was made of which you had no knowledge; had you any knowledge whatever of the circumstances or considerations at the time?—No; at the time that that contract was entered into I had nothing whatever to do with stamps; I was principal clerk in the Secretary's Office in the Excise Branch. I know nothing of the negotiations, except what appears upon the official papers.

1510. Have you any knowledge as to the price at which the cards could have been obtained at that time, corresponding with the price you have given as that at which they could be obtained now in the open market?—Not beyond the fact that the price of the material was 33 per cent. higher in 1880, which I have taken into consideration.

1511. Have you any practical knowledge of printing and matters of that kind?—No.

1512. Do you give with full confidence your opinion that it is a sound process of calculation to work back from now on the prices at which those materials can now be obtained in the market, and simply make a deduction for the reduced cost of material?—Of course I am not an expert; I have only endeavoured to arrive at the facts, to the best of my ability, in the interests of economy.

1513. I quite understand your endeavours in the interests of economy, and I hope I sympathise with them; but I want to find out upon what basis your calculation has been framed?—It is based simply upon what I have told you, that I worked back and found that the price of material in 1880 was 33 per cent. higher than it is now.

1514. Then apparently you think that the conditions were the same in 1880 in every respect, except with regard to the item of material, as they are to-day?—In a great measure. As regards post-cards and envelopes, as I have explained before, I do not consider that there is anything technical or uncommon in their manufacture.

1515. You think that, except for the fall in the price of material, they could have been obtained and produced in 1880 as cheap per million as they can to-day?—I do not go quite so far as that, because I have no doubt, in the course of years, the manufacturers have been able to produce them by improvements in machinery at a less cost.

1516. You told us that you had no knowledge of the circumstances at the time when this contract was made; I will ask you, as you have given the Committee the advantage of your opinion, have you any reason to suppose that at that time a better contract could have been made under the circumstances under which that contract was made?—Again I can only fall back upon deduction and say, that if there had been competition, my belief is that the contract would have been got cheaper; but then, as I say, there may have been other considerations with Sir Charles Herries, that I am not aware of.

1517. You have no facts which you can produce to the Committee to show either that the Board at that time had the opportunity or power to make a cheaper

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cheaper contract, nor are you able to produce any facts to show that at that time a better contract could have been made?—At that time, you must bear in mind, the contract for post-cards, wrappers, and envelopes had not run out; it had then three years to run.

1518. That was an element of consideration which it would be necessary for the Board to take into account in making a fresh contract?—Quite so

1519. That is to say, they had no power to terminate the then existing contract?—Quite so. I am only an officer of the Board, and of course I must not pass any judgment upon the action of the Board of which I am only an officer.

1520. Have you not been doing so, in your evidence all along?—I have no desire to do so in any way. I have been asked questions as to what I consider a contract could be got for, but I should be very sorry that it should be thought for a moment that I was of opinion that the Board of Inland Revenue in making that contract at that time had done anything that they ought not to have done, because, as I said before, I have no knowledge of the circumstances. I am merely stating what I deduce from the present position.

1521. Did you not say that you had worked out a figure which showed you that we were now paying 37,000*l.* per year more than the same work could be done for?—I said more than these articles could be obtained for elsewhere.

1522. Did you not then deduct 10,000*l.* for the fall in the price of material since 1880?—Yes.

1523. Did you not leave the Committee under the impression that the contract which had been made at that time was a contract that was costing the country 27,000 *l.* more than it ought to have done?—I stated what I believe at the present time you could obtain these articles for elsewhere; but I in no way passed judgment upon the action of the Board in 1880.

1524. I thought that the whole tenour of your evidence was to show that the contract which was made then was not so good a contract as might have been made. Am I right in that?—I should like to say this; I did not come here of my own motion; I have been summoned to appear; I have no desire in any way to canvass the acts of the Board; but when I am summoned before a Committee of the House of Commons, I believe that it is my duty to state to that Committee what I imagine to be the position of things.

1525. I have not the slightest objection to your doing so, but what I want to know is your opinion as to the facts at the time of their making the contract; I understand you have told the Committee that you have no knowledge of the circumstances at the time when the contract was made?—Quite so. The honourable Member has rather suggested that I have passed an improper opinion upon the proceedings of my superior officers, and I should like the Committee to understand that I had no intention of doing so in any shape or form.

1526. You have told us that certain results would follow on the basis of the calculations which you have made by working back, and you have told us also the prices at which this contract, or rather these stamps and envelopes, could probably now be obtained for. I think I gather from you now that you do not wish the Committee to take it as your evidence that you offer any opinion that the contract which was made in 1880 could have been made on better terms for the Department?—I certainly do not wish to convey anything further than what I have already indicated, namely, that if there were no other reasons for extending the contracts for post cards, wrappers, and envelopes than those officially recorded, my belief is that, judging from the figures I have arrived at in respect of the current year, a competition would have resulted in prices more favourable to the State than those obtained.

1527. You have told the Postmaster General, in answer to a question of his, that there would be no administrative difficulty in removing this work to the Post Office and making this contract at the Post Office; have you any reason to suppose that the Post Office would make the contracts better than you could make them?—No.

1528. Do you think it would be an advantage to remove the making of these contracts from the Inland Revenue to the Post Office?—I do not know that it would be any advantage.

1529. Then would any economy result?—No, I do not think there would.

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1530. Therefore you see no disadvantage or absence of economy under the present system as compared with what would probably happen if the making of these contracts were removed to the Post Office?—Certainly not.

1531. Mr. *Raikes*.] As the Secretary to the Treasury has asked you if you have any reason to suppose the Post Office could make better contracts if they had charge of these matters than the Inland Revenue, I should like to ask, have you any reason to suppose that the Post Office could make any worse contracts than the Inland Revenue; I will not press you for an answer to that question?—Again, I would say that I must not pass any judgment upon my superior officers.

1532. Mr. *J. F. X. O'Brien*.] Your calculations with regard to the saving that could be effected, I suppose, are based upon those figures that you gave us as to the present cost of the articles that you are buying now?—Upon the prices in the contract, and the prices we could get the articles for elsewhere.

1533. Did I rightly understand the result of those figures to be, that they would show present excessive profit of 53 per cent.?—No, not excess of profit; that is net profit on one of the articles. The per-centage of profit varies upon different articles.

1534. Is that the all-round profit?—The all-round profit, I said, was, in my opinion, about 47 per cent.

1535. And then you say, that the fall in price has been 33 per cent. in the meantime?—There has been a gradual fall in the price of material. I mean to say that in 1880 it was certainly 33 per cent. higher than at present, and that would represent about 10 or 11 per cent. on the present net profit.

1536. It would be a long and difficult calculation, would it, to show what would be the profit upon each year in the meantime?—Yes; but I have made a calculation showing what would be the profit upon the whole term of the contract.

1537. In fact, you could not even say, could you, in dealing with the 37,000*l.* (the saving which could be effected at the present time), from which you deduct 10,000*l.* for the fall in prices of materials, what would be the proportionate saving on the Estimates of the other years since 1880, inasmuch as the fall of material has been gradual?—Yes; but I have worked out and arrived at the total in my opinion; I can give that.

1538. Will you give us that?—I can tell you what I believe to be the net result on the 10 or rather 11 years' contract. The contract ran from the 31st of December 1880, although it was entered into on the 25th of March, so that it was practically an 11 years' contract. The net result of this 10 or 11 years' contract will, in my opinion, be, that making full allowance for the gradual fall in the value of material since 1880, the country, in my humble judgment, will have paid 300,000*l.* too much up to the expiration of the contract, taking the prices as they stand now.

1539. I think you rely, as a justification of your calculations, upon the late India Office contracts, and upon the result of these new contracts that will be exposed in a short time?—I rely upon them as some evidence that my figures are within the mark. I rely upon what I told the Committee with regard to the contract for Indian envelopes, where the India Office had an offer from a certain firm, through their Calcutta agents, bearing out what I had six months before reported to them, and I rely also upon what I have gathered from other sources. As I said before, I have been working at this for the past two years. I rely also strongly upon the result of this coming competition. If this competition bears out the figures which I gave to the India Office (and you will remember that it is with regard to technical work), I think there is some reason for me to believe that I have worked out these others correctly.

1540. Mr. *Dixon-Hartland*.] I think the Committee are very much indebted to you for the figures you have actually given us. As I understand it, notwithstanding what Mr. Jackson put to you, the figures you have given to us are what you believe to be the profit that has been made in each year on the contract made with Messrs. De La Rue?—The figure which I have just given of 300,000*l.* is my calculation of what will have been paid too much on the whole contract.

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1541. I am taking the figures one by one; you put it first as 43 per cent. upon the contract in 1880, and then the saving came out at 37,000 *l.* in last year?—The 43 per cent. was in respect of one item, namely, thin cards. The 37,000 *l.* on last year's total amount. Contrasting the amount paid and the price for which I think we ought to get these articles, the difference between the two (which I regard as net profit) is 46,000 *l.* Then I say that my calculations are based upon this: that 15 per cent. is a fair profit, seeing that the bills are paid monthly, and that there are no bad debts. That 15 per cent. would reduce the 46,000 *l.* total profit to about 37,000 *l.*; then I reduce that 37,000 *l.* again by 10,000 *l.*, having regard to the fall in material.

1542. You are not finding fault with your superior officers, but only working out the facts to show what loss has been made to the country, as you believe, under that contract?—Yes, certainly, and nothing more; and that was my object in writing the report to the Board of Inland Revenue. I felt it my duty to the Board of Inland Revenue to let them know what was within my knowledge; when, in the exercise of their judgment, they appointed the contract committee, which in a sense superseded me, I thought it right to communicate to the Board my knowledge upon the whole affair, both as regards the English and the Indian contracts; but I had no idea that that report would have led on to any inquiry; it was merely done with the object of letting the Board know the position of affairs.

1543. You say about the 13th November 1886 Messrs. De La Rue applied for an extension of their contracts; the contracts had then nearly five years to run, had they not?—They had four and a-half years; they run to the 31st December 1890. For the Indian contract we have to give six months' notice, so that they would run till June 1891; but, practically, all the contracts would end on the 31st December:

1544. Then the contract had five years to run on the 13th November 1886?—About four years.

1545. Did they offer any terms in that proposal; what proposal did they make?—The main ground they put it upon, with regard to England, was the great expense and trouble they had been put to in bringing out the new sort of stamps; with regard to India it was because I suggested to them, in conjunction with the Director General of Stores at the India Office, certain alterations in their factory which would enable us to effect economies and to throw the work of two sets of superintending officers together in such a manner that we could economise on the establishment. As a matter of fact, I think, by handing over the work, the India Office saved upon establishment something like 1,000 *l.* a year.

1546. Did they offer to make any reduction in price if they got an extension of the contract?—No, they did not. They had already got the increased price for the new stamps.

1547. They wanted the contract extended without making any offer to reduce prices?—Yes.

1548. Mr. *Mowbray*.] Was the application to renew the whole contract?—Yes, all the adhesive contracts, both Indian and English, and that for the stamped papers for India.

1549. Mr. *Henniker Heaton*.] I should like also to express my satisfaction with the evidence you have given; will you furnish the Committee with the total amount paid each year to Messrs. De La Rue and Company with regard to England?—I have a return here; it is practically a copy of the Estimates. I can give you the total amounts if you like.

1550. Will you hand in that return. I want the amounts for each year so as to show the growth from year to year?—The first year practically when the surface-printed stamp came into use, superseding the recess-printed stamp, would be 1881–2; I mean that would be the first year in which the amount for the surface-printed stamps would appear. The amount for adhesive postage for that year would be 18,204 *l.*, and for post-cards, wrappers, and envelopes, 79,668 *l.* In 1882–3 the amount for adhesive postage stamps rose to 21,000 *l.* from 18,000 *l.*

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1551. If you will kindly put that return in, it will save our time and yours ?—I will do so. (*The same was handed in.*)

1552. In pursuit of your inquiries, though not an expert yourself, did you take the opinion of experts with regard to prices ?—Yes, I did that over a course of two years, quietly, through personal friends who happened to be acquainted either with manufacturers or with others who were able to give me information which I thought would be useful in enabling me to arrive at my conclusions.

1553. The figures you base your calculations upon represent not only your opinion, but the opinion of experts with regard to prices ?—Certainly, the opinion of manufacturers and others.

1554. Did you hear Mr. Cousins' evidence with regard to the Indian contracts ?—Yes.

1555. Do you know whether there is any foundation for the statement that the result of the tenders for the adhesive stamps, and the acceptance of De La Rue's tender for the English contract, induced the Indian Government also to give Messrs. De La Rue their contract ?—I believe that to be the case.

1556. Are you the agents for the Indian Government ?—The Board of Inland Revenue are agents for the Government of India for the manufacture.

1557. Had the Board of Inland Revenue, do you know, anything to do with giving Messrs. De La Rue the contract for the India Office, for the supply of these materials ?—No, the Board of Inland Revenue only took over the duty of agents within the last two years.

1558. They are now the agents ?—They are now the agents. I should perhaps qualify an answer I gave just now ; the India Office did not follow the prices of the Inland Revenue for all their articles, only for post-cards, because as regards their stamped paper there is nothing identical with that in this country. Moreover, that contract for stamped paper which runs out in September this year, is a contract that has been running for 15 years.

1559. Have you examined the conditions of the agreement with Messrs. De La Rue, or the correspondence which led to the formal contract ; I mean the contract now in existence ?—I have read the official papers.

1560. Is there, in your opinion, any foundation for the statement that the tenders for adhesive postage stamps in 1880 were drawn upon lines which were suggested by Messrs. De La Rue ?—I cannot say ; that was before I was the Controller of Stamps ; I know nothing about that.

1561. How long have you been Controller of Stamps ?—Four and a-half years. I was appointed on the 1st October 1883.

1562. Mr. Preston Bruce.] Are you an expert as to the processes of manufacture of adhesive stamps ?—No.

1563. Mr. Richard Chamberlain.] I could not quite catch one of the figures you gave. Did you say, in making your calculation, that the profit at the present time was 46,000 £., from which you deduct 15 per cent. ?—I say that taking the cost at which I consider these articles might be manufactured, the difference between that and the total prices that we pay under the contract, 99,000 £., would be 46,000 £., which I should regard as net profit.

1564. Then you said you took off 15 per cent. ?—Yes, of that I would take 15 per cent. as the reasonable profit, and that would reduce the 46,000 £. to 37,000 £.

1565. Not if you take 15 per cent. on 46,000 £. ?—It is not on the 46,000 £. ; the 15 per cent. is on the amount which I think the articles ought to be supplied for. I first take the cost of the material ; I then take the cost of labour ; and then I make an allowance for fixed expenses ; and then I add 17½ per cent. to that total as net profit.

1566. I think you said that the price of paper in 1880 was a third higher than it is now ?—It is practically that.

1567. That is so, is it ?—I believe it to be so ; I have made inquiries in a great many directions, and that is my information.

1568. I only want to check your calculations a little ; I think you also said that the price of paper was a third lower now than in 1880. If that is right, that

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[*Continued.*]

that makes a great deal of difference, does it not?—I said it was 33 per cent. higher in 1880 than now.

1569. You also said it was 33 per cent. lower now than in 1880, did you not?—It would be about 25 per cent. lower now than in 1880. I said it was 33 per cent. higher in 1880, and that, of course, would be equal to saying that it is about 25 per cent. lower now than in 1880.

1570. It is 25 per cent. lower now than what it was in 1880, is that so?—Yes.

1571. I was not here at the beginning of your evidence. May I ask whether the calculations you rely on will appear in your evidence?—These calculations are simply worked out by myself over a long period.

1572. In calculating what you could get the contract done for to-day as compared with 1880, do you take into consideration the quality; I refer more particularly to the stamp itself?—Do you mean the adhesive stamp?

1573. I am talking of the printing of the stamp?—I set out by saying that I did not consider that the prices for the adhesive stamp were unreasonable.

1574. I was not present at the beginning of your evidence and did not hear that. With regard to the printing of the stamp on the newspaper wrappers, is not the stamp better printed, with a view to avoid fraud, than what it was in 1880?—I do not know that there is very much difference. The shape of the stamp has been altered; but I do not think there is any material difference.

1575. I mean as to the chemical nature of the ink; have there been any changes with regard to that?—I cannot say; we print those stamps at Somerset House as well as at the manufacturers, so that there is certainly no secret in it.

1576. When you say you can buy to-day a thing at so much less, you mean a thing which you consider to be identically equal, not only in the mere value of the paper, but also in regard to the service which it would be to the Department?—I mean a complete article, which would be equally serviceable and similar in every respect.

1577. I asked Mr. Cousins something in regard to Messrs. De La Rue's supposed monopoly: a question was raised (and you, perhaps, heard it) as to whether certain words inserted in the contract gave a monopoly to Messrs. De La Rue?—I understood the question that you asked was whether surface-printed stamps were Messrs. De La Rue's monopoly.

1578. Yes; what do you say to that?—I should say, certainly not. I have seen surface-printed stamps made in continental factories, and I take it that the competitors in 1880 produced surface-printed stamps. There is a vast distinction between the recess-printed stamp and the surface-printed stamp. In the recess-printed stamp, lines are recessed into the plate, and the paper is in a manner forced into those recesses; in the old penny stamps you could clean off the Post Office obliteration, because the stamps were rough. The new surface-printed stamps are quite smooth; in fact, quite the reverse of the other. But the recess-printed stamps were much more expensive. That form of printing could not be done so rapidly by machinery as surface-printing; and, as a matter of fact, the recess-printed stamps cost $4\frac{1}{2}$ d. under Perkins & Bacon, while the surface-printed penny stamps cost about 2½ d.

1579. You have seen this paper containing terms of contract for the penny postage stamps; can you tell us whether there are any words there inserted which gave a monopoly to De La Rue's, and prevented other firms from quoting a price?—I cannot see that there could be anything.

1580. I believe the words upon which the question arose were as to the surface-printing?—As I understand, the suggestion was with regard to surface-printing.

1581. So far as you know, there is nothing in those terms to prevent other firms from entering?—No.

1582. Mr. Heneage.] When you stated just now that the country would have lost 300,000 l. by the end of the 10 years, is that after deducting what you think a fair profit to Messrs. De La Rue?—Yes.

1583. You have given us your opinion, after paying some attention to the subject, and working out the figures, as to the prices at which you think this

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[*Continued.*]

work could be done, judging by the experience of the last eight years, at the present moment, as I understand?—I have given my opinion, as the result of inquiries which I have made, as to the price of paper, and as to the cost of manufacture.

1584. That is the price at which these articles could be made at the present moment?—Yes.

1585. But you do not offer any opinion of your own as to what price they could have been made for eight years ago?—No, except by deduction.

1586. And do you consider that that deduction puts you in as good a position to judge as those who had to determine the question in 1880?—Again I must say that I do not wish to pass any judgment upon my superior officers.

1587. What I mean is this: do you not consider, as a matter of fact, that anybody forming a judgment at the present time with all the past experience at his command, and seeing what has happened, is in a very much better position to judge as to what ought to have been done, than those who had to form a judgment eight years ago as to what the fall in prices would most probably be?—I quite agree with that; that is so.

1588. Therefore, even supposing that you are right in the conclusion to which you have come, that would not naturally throw any blame upon any one connected with the making of the contract in 1880?—Certainly not; and I trust the Committee have not for a moment considered that I have attempted to do anything of the sort. Sir Charles Herries was a very revered chief of mine, and I should be very sorry to come before any Committee to make any suggestions of that sort as regards him.

1589. I may take it that you give the Committee the result of all your labours in order to enable them to form an opinion now in reference to the contract, without saying that if you had been in the position of Sir Charles Herries at that time you could have formed any better judgment or made a better contract than he did?—Certainly.

1590. Mr. *J. F. X. O'Brien.*] As I understand your calculation upon the prices of the contract, and the prices at which the articles could be supplied now, it would show a gross profit of 46,000 *l.* to the manufacturer; is that so?—The figure I gave, 37,000 *l.*, was what I considered to be, if I may use the expression, the surplus net profit after allowing 15 per cent., which I considered was a reasonable net profit.

1591. You say 46,000 *l.*, less 15 per cent. for a reasonable profit, would give a surplus profit of 37,000 *l.*?—Yes.

1592. That leaves an error of 2,100 *l.*, does it not?—I am working out my net profit of 15 per cent. upon the amount that I think these things cost or could be got for elsewhere.

1593. Mr. *Mowbray.*] Would not it make it plainer if you gave us the figure upon which you calculated the 15 per cent.?—Perhaps so. I think I can give it. I think that we ought to be able to get the articles for which we now have to give 99,000 *l.* for something over 60,000 *l.*; and 15 per cent. upon that 60,000 *l.* would be about 9,000 *l.*, and if you deduct that from 46,000 *l.*, I think you will find that gives the figure I have mentioned.

1594. *Chairman.*] Would you just repeat that to me again; as I understand, you estimate the cost of production, and then you add 15 per cent. for the profit; but how do you estimate the cost of production previous to that addition?—In this way. I first took the cost of material, I then took the cost of labour, to that total I added an allowance of 15 per cent. to cover fixed expenses and renewal of plates, &c.; that I considered to be the cost of production.

1595. Then there is a second 15 per cent. for profit?—No. 17½ per cent. as the net profit, which would be practically equal to 15 per cent. on selling price.

Tuesday, 1st May 1888.

MEMBERS PRESENT :

Mr. Preston Bruce.
Mr. Brunner.
Mr. Richard Chamberlain.
Mr. Dixon-Hartland.
Mr. John Ellis.
Mr. Hankey.
Mr. Henniker Heaton.

Mr. Heneage.
Mr. Jackson.
Mr. J. F. X. O'Brien.
Mr. David Plunket.
Mr. Raikes.
Mr. Stansfeld.

The RIGHT HONOURABLE JAMES STANSFELD, IN THE CHAIR.

MR. WARREN WILLIAM DE LA RUE, called in ; and Examined.

1596. *Chairman.* I BELIEVE you have heard the evidence given before this Committee on previous occasions with regard to the subject of these contracts? — I have been in attendance each day on which this subject has been before the Committee.

1597. I think under those circumstances it will probably be most agreeable to yourself, and facilitate a clear and consecutive statement upon your part, if I invite you to make whatever statement you wish to make upon the subject? — I should say that until the 31st of December 1886 I was senior partner in the firm of Thomas De La Rue and Company, and since then I have been assisting my brothers and my former partners in the conduct of some of their business, especially in regard to Government contracts, so that I am quite familiar with everything that has taken place from the year 1869, when I first joined the business, to the present date. My father holds the appointment, under Treasury Warrant, of Engraver to the Board of Inland Revenue. The appointment covers many things besides the actual engraving, and my father is consulted by the Government through the Board of Inland Revenue upon all matters connected with stamps. I acted for many years for him as his deputy, as he has been in failing health, and on the 7th of July 1884 I was formally appointed Deputy Engraver by the Board of Inland Revenue, they having received a Warrant from the Treasury to confer that appointment upon me. I should like, with the permission of the Committee, to refer to the contract for the pennystamps; and in order to make myself clear I wish to hand you this sheet of paper, upon which I have stuck one of the old copper-plate stamps supplied formerly by Messrs. Perkins and Bacon. They were first issued in May 1840, and they remained in use until January 1880, when a new stamp, the surface red stamp which we produced, was introduced. Underneath that I have stuck the penny unified stamp, which was introduced in July 1881 (*handing in a sheet of paper*). The middle red stamp was the subject of competition in 1879.

1598. That was issued in 1880? — Yes, issued in 1880. I fancy, from what I have noticed during my attendance at this Committee, that the dates of the various communications which we had with the Inland Revenue upon the subject of that stamp may possibly not be clearly before the Committee, and I propose, therefore, with your permission, to give you the dates of the various letters which passed between the Board of Inland Revenue and ourselves.

1599. *Mr. Dixon-Hartland.* That is with regard to the 1879 contract? — With regard to the penny red postage adhesive stamp.

1600. Is it with regard to the 1879 contract for the new penny stamp? — Yes, the new penny stamp. On the 3rd of April 1879 the Board wrote to ask if we should be willing to tender for a new penny stamp in place of the old one, to

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[Continued.]

which we wrote a letter in reply. I do not know the date of our reply, but I can find it if you wish it. I must explain to the Committee that I have got in these books all the correspondence which passed. I have not made copies of that correspondence, because I do not know which letters you may require, but I should be happy to furnish you with any copies. I only ask you kindly not to impound my books, because they are the only papers I have in connection with the matter, and I must therefore ask your indulgence in that respect.

1601. *Chairman.*] I think you were referring to some letter the Board wrote to you?—Yes; on the 3rd of April 1879 the Board wrote and asked us, amongst other firms, I believe, whether we were prepared to tender for the supply of penny postage surface-printed stamps of a similar character to the stamps of higher values which we had been supplying for a great many years. We replied to the effect that we would be willing to do so. On the 8th of April 1879 the Board wrote and informed us that, in consequence of representations which they had received from some of our competitors, they wished to extend the time for delivering the tenders by 14 days; consequently the tenders were not due till the 17th of May 1879, an indulgence having been granted of 14 days.

1602. Then your answer to the Board's letter of April the 3rd, I may take it, was written before April the 8th?—Yes, most distinctly. I notice a curious thing, namely, that there is only five days' interval, so that perhaps I may be mistaken in these dates; I may perhaps clear that up at once. I find on looking at the letters that the dates I have given you are quite correct. On the 17th of May 1879 our tender was delivered; it was handed in by myself personally to Mr. Garnett, the Secretary to the Board of Inland Revenue. It was addressed to the Honourable the Commissioners of Inland Revenue, and was sealed up with the private seal of the firm. I have here the original letters from the Board. I assume that, immediately upon receiving the first letter from the Board, some of our competitors said that they would not have time, and that they wished for an extension. As I have said, on the 17th of May we delivered our tender. On the 22nd of May, also of course in 1879, the Board wrote to tell us that we must not expect an answer for two or three weeks, because they had to refer the various tenders and samples to their experts, and that that necessitated a considerable delay, and that consequently we must not expect to hear yea or nay from them for some time. On the 27th of June 1879 the Board wrote us a letter accepting our tender; that was six weeks after the tender was delivered. On the 21st of November 1879 we first sent in a supply of penny postage stamps to Somerset House, and the stamps were issued to the public on the 6th of January 1880.

1603. *Mr. Dixon-Hartland.*] Not before then?—Not before then. If you wish to ask me any questions concerning the penny contract, I shall be pleased to answer the Committee, but otherwise I propose not to pursue that matter any further now.

1604. *Mr. John Ellis.*] That contract refers to the middle stamp on this paper, I understand?—Yes, the red penny postage stamp.

1605. *Mr. Dixon-Hartland.*] All the dates you have given us are in connection with the penny stamp, are they not?—Yes, in connection with the penny stamp only. I simply give the explanation in order to help the Committee as to the dates, because I thought there was possibly some misunderstanding on that head; it is not part of my statement at all. The Committee will observe that the stamps had been at Somerset House from the 21st of November 1879, so that, although they were not in use till the 6th of January 1880, the Post Office had had the handling of them, and had had experience of them in a sort of way for some time, and on the 7th of January 1880 Mr. Garnett, the Secretary to the Board of Inland Revenue, wrote and asked us whether we were prepared to supply halfpenny, penny-halfpenny, and twopenny stamps of the same kind as the penny and higher duty stamps which we had been supplying for so many years. Almost immediately after receiving that letter of the 7th January 1880 I called upon
Sir

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Sir Charles Herries, and I explained to him that our views with regard to the matter were briefly these: we found that our time was so much taken up by the various stamp contracts which we had in hand for this Department and for other Departments of the State, that unless we could simplify and reorganise our work in connection with those contracts, and unless, instead of having the manufacture spread over five or six manufactories, we could so reorganise it as to bring it practically within one factory, and in other ways simplify the work generally, it was not worth our while to extend our stamp contracts, particularly as we were not sure at all at that time whether, instead of making a profit upon the penny stamps, we were not making an actual loss upon them. Incidentally I may mention to the Committee (I am rather looking ahead in regard to dates, but I wish to bring this point forward now) that, although in 1880, which was the first year that we supplied the penny stamps, we supplied about 10,000 *l.* worth of them (that was our invoice price for them), we made a less profit, notwithstanding that increase of business, than we did in 1879, and our general business during 1880, I should say, had been considerably in excess of what it was in 1879. The only possible explanation of this loss of profit, which amounted to several thousand pounds, which we could ever arrive at was, that the disturbance to our business consequent upon the introduction of the penny stamps had led to this loss. I explained to Sir Charles Herries also that we felt the importance of developing certain branches of our business which we had recently introduced, and which were specially profitable to us; that the devotion of thought and capital to such branches of general trade would be of permanent advantage to us; and that it would increase the goodwill value of our business, whereas Government contracts, which are subject to termination, certainly do not increase the goodwill value of a business. In consequence of the representations which I made to Sir Charles Herries, he asked me to take the matter into consideration, and the result was, that I discussed with him at great length and in many interviews a scheme which we called a scheme of economy and reform. I should tell the Committee that these were personal negotiations, and that Sir Charles Herries went very fully into the matter with me upon many occasions. After having elaborated the matter with him, and having discussed it in detail, I sent in a hard-and-fast offer to Sir Charles Herries, which was dated the 30th of January 1880. Before I did so I understood that Sir Charles Herries had practically agreed to the terms of my offer, and it was quite understood, so far as I could gather from him, that he would let me have a definite reply before we should be expected to send in a tender for the halfpenny, three-halfpenny, and twopenny stamps.

1606. Mr. *Dixon-Hartland.*] What you mean is, terms to embrace the whole of it, or else you would not take them?—That is what I mean. That offer was made on the 30th of January, and on the 4th of February I was rather surprised at receiving a letter from the Secretary, Mr. Garnett, in which exception was taken to our offer with regard to postage envelopes. It was suggested that we should make a reduction of 20 per cent. in our prices, instead of 10 per cent., on postage envelopes. A certain amount of haggling took place on this subject, and at last we had to write a letter very firmly to the Board upon the subject. I beg to hand in that letter, and, with the permission of the Committee, I will read the two closing paragraphs of it. This is a letter dated February the 5th, addressed to Mr. Garnett, in reply to his letter of February the 4th, and the last two paragraphs are: "We beg respectfully to remind your Board that through a long course of years they have had the best attention and services of ourselves, and of the large establishment under our control, and that had we devoted the time, labour, and attention, as well as the capital, which we have had to expend upon their work to other branches of our business we should have been recompensed by a trade return of lasting value to our house. We have, however, given our best time and attention to the service of your Board, often to the great detriment of other interests. Whenever anything new has had to be devised, or in times of urgency, we have set everything aside to assist your Board in the matter immediately in hand, and we submit that these considerations should have the greatest weight,

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no less than the fact that no one but ourselves possesses the experience which is required by your Board in the initiation of new stamp matters, or, indeed, in carrying on all those which are at present in force. We have above indicated the means by which the full reductions pointed to by the Board might possibly be attained should it be thought hereafter desirable, but after a full re-investigation of the figures we find that a further abatement of 5 per cent. upon the prices of the envelopes as at present supplied is the utmost further concession we can make upon our scheme generally. In fact, we wish firmly, but respectfully, to inform your honourable Board that we can go no further, and that our scheme must stand or fall upon its general merits; so that the issue which is involved is no other than whether your Board will retain, in connection with the greatest fiscal Department of the State, the services of long-trying specialists, whose experience and unique resources are of instant avail in every exigency of the Revenue, and whose time and thought are so continuously devoted to the services of your Board, or whether those relations shall be broken off." I should like to explain to the Committee that, in the course of my interviews with Sir Charles Herries, I gathered from him that he was very anxious to meet the Postmaster General's demand for improved halfpenny, penny-halfpenny, and twopenny stamps. I also believe that another matter was pressing very much upon his mind, and that was that Sir Stafford Northcote, who was in 1879 the Chancellor of the Exchequer, had in mind the unification of certain of the stamps. Unification is a technical term, and I may explain that it means the use of the same stamp both for postage rates and for revenue rates. These matters had been in Sir Charles Herries' mind, I know, for some time, because he had frequently consulted me upon the subject, in order to know whether it was possible to introduce stamps that would be applicable to both services of the State, and I think from what he told me, that he foresaw that, although in the first instance the penny stamp would alone be unified, that would inevitably lead to other duties of stamps being unified. I am quite sure, from what I observed, that he was anxious to lay his lines to meet this possible requirement of the Chancellor of the Exchequer. He knew, by the competition which had taken place with regard to the penny postage stamps, that we were practically the only house that could meet the requirements of the State in the production of those stamps, and he knew that the unified stamp, being much more difficult to produce would, of course, call for even greater experience than the other stamps. I should like to hand in these two sheets of paper; upon this sheet I have attached two sets of uncanceled stamps; and upon this I have attached two sets of stamps which have been treated with detergents such as would be used to remove either printed or written obliteration, and the Committee will see how sensitive the stamps are. Now, I think I may claim for the house of Thomas De La Rue & Co. that they are specialists in the production of such stamps. I should explain that those stamps at the top show the effect of the application of detergents such as would be used in the attempt to remove Post Office obliteration. This is the result of treating the stamps with hydro-carbons such as are used for removing the obliterations of the Post Office, and the others are stamps treated with various other chemicals that would be used to remove writing ink.

1607. *Mr. David Plunket.*] Then is there no chemical process known except this, the effects of which are seen there in this paper?—None at all. Amongst experts in these matters all over the world, it is well known that Thomas De La Rue & Company's stamps possess characteristics which no other stamps possess, and Sir Charles Herries was perfectly aware of that fact.

1608. *Chairman.*] You are now speaking of the time of the contract?—Yes, at that time, but the same remark also applies to the present time. We are continually receiving applications from foreign Governments for information with regard to stamp manufacture, and so recently as the 12th of December 1887 we received a letter from the Secretary of the Board of Inland Revenue, Mr. Cousins, in consequence of a communication sent to the

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the Post Office at St. Martin's-le-Grand by the French Government, asking them for certain information with regard to the production of stamps. I beg to hand in the letter and our reply for the Committee to see (*handing in the same*). As Commissioner of Inland Revenue, Sir Charles Herries had special means of testing our proposals, and gauging the profits we were making out of the contracts at the time we were speaking about them. With the information he asked me for, I am quite sure that he was able to test our profit upon those contracts within a very little; within 1,000 *l.* I should say. He had a number of prices before him which I assume had been obtained somewhere in the trade, for he put questions to me regarding them, and he had certain samples of envelopes, if not of other things. Sir Charles was a man of very great acumen and experience, and I am sure he was convinced at that time that our offer was a fair and reasonable one, and one advantageous to the State; and I beg to say on my part that it was a fair and reasonable one. There is no question whatever that at the time the offer was made it was a fair and reasonable offer, and one which Sir Charles Herries was perfectly justified in accepting.

1609. Mr. *Raikes*.] Does that apply to the whole offer?—To the whole offer. Collateral evidence is furnished to prove that, certainly with regard to one line of articles, our prices were fair and reasonable by this fact: postage cards have always been stamped at Somerset House from the very commencement, for the public; that is to say, the public can send in sheets of cardboard and have the stamps impressed upon them for a certain fee, but until quite recently, in fact, till the fall in the prices of material, and after the cheapening in the processes of production, these private cards have not in any way competed with the public or official cards, as I may call them.

1610. *Chairman*.] Can you tell us since about what date that competition has existed?—It is only within the last four or five years that this competition has crept up, to any serious extent. I wish to correctly state, from my point of view, the saving that was absolutely effected by what I term our scheme of economy and reform. I do not quite agree with the figures put in either by Sir Algernon West or by Mr. Robinson; I forget who it was gave the figures, but they do not seem quite to accord with those which I have before me. I have checked the figures of Sir Charles Herries given in Parliamentary Paper, No. 104, of this year, and I find that they are substantially correct; and I have made the calculation, which I am about to give, upon those figures. For post cards, newspaper wrappers, and envelopes supplied in 1879 we received 74,520 *l.* Our offer, as finally accepted, was to reduce the post cards by 10 per cent., and the envelopes by 15 per cent.; that showed a saving to the Department of 7,901 *l.* Then, with regard to adhesive stamps, the adhesive stamps which we were supplying at that time, exclusive of penny stamps altogether, came to 6,851 *l.* Our scheme showed a saving to the State, in regard to that line of business, of 3,146 *l.* The total amount paid to us in 1879 for all articles, including stamps, was 81,371 *l.*; upon that item we showed a saving of 11,047 *l.*

1611. Is that in respect of certain deductions and concessions which you made upon your original price?—Yes; on those reductions on our original contract prices.

1612. Mr. *Dixon-Hartland*.] Is that 11,000 *l.* to be taken from the 81,000 *l.*?—Yes; deduct that from the 81,000 *l.*, and you arrive at the relative figures. The Board of Inland Revenue, in the Parliamentary Paper which I have referred to, showed that they saved in their controlling arrangements and staff, in consequence of our scheme of economy and reform, 2,000 *l.* per year. All the figures that I have been giving, it will be understood, are per annum. Now, I think we may very fairly claim, as that saving was effected in consequence of great expenditure on our part in reorganising our work, and in undertaking the perforations of the stamps free of charge, to add that saving to the figure I have already given as the actual saving to the State.

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[*Continued.*]

1613. Mr. *Raikes.*] That saving on controlling arrangements has reference to the perforation of the stamps, has it not?—To the reorganisation of the work, and the perforating of the stamps; we undertook that free of charge. So that I make out our scheme represented a saving to the State of no less than 13,000 *l.* a year upon an item of 81,371 *l.* So that, instead of that line of article costing 81,000 *l.*, it would cost 81,000 *l.* less 13,000 *l.* in after years. In addition to all this saving, Sir Charles Herries, by the acceptance of our tender for the penny stamps, had effected a saving to the country of 9,000 *l.* per annum, as he shows in his statement in that Parliamentary Paper. The total saving, therefore, that Sir Charles Herries effected by his rearrangement, in the course of about a year or 18 months, was not less than 22,000 *l.* per annum, which was not a bad stroke of business, I think, upon the part of Sir Charles Herries. Would you wish me to explain the sliding scales, or is their operation quite clear to the Committee?

1614. Mr. *Dixon-Hartland.*] I should like to know the particulars about this sliding scale. You refer to the sliding scale which is mentioned in your letter of January, I understand?—The scales are in the contract. I may explain them in this way: In the case of penny and halfpenny stamps there is a hard-and-fast price; because it is known the penny and halfpenny stamps must be demanded in very large quantities; but in the case of other stamps the quantities may be either large or small from year to year; and it is, therefore, impossible to fix a uniform price; consequently, in the new stamp contract a table of prices is given. To give an instance, there is a price per thousand fixed when 44 millions of any one sort are ordered at a time. Then, going down the table, there is a price per thousand fixed when five millions are ordered at a time; the meaning being that if the Inland Revenue Department ordered 44 millions from us, they are entitled to receive the stamps at very much less price than if they ordered only five millions.

1615. Does it drop from 44 millions to five millions?—No, there are long tables; I simply give those as typical illustrations. These sliding scales have no reference whatever to the cost of paper or material; they are simply based on the fact that if large quantities are ordered they are more cheaply produced in labour and other expenses than small quantities are. You will find that every line in the table works out correctly. I have paid great attention to Mr. Purcell's observations the other day; and I should say that I do not admit his figures, either in detail or in the gross. Incidentally I may mention that whatever calculations as to profits he may have put forward in his confidential Report to the Board could very easily have been checked by the Board by referring to our income tax returns, and I am quite sure that if the Board had referred to the income tax returns in connection with the report (although of course they are not in a position to reveal the state of the case to you), they could have satisfied themselves in their own mind that Mr. Purcell must be wrong. It is a very easy calculation for them to make; and I have no doubt they have made it, though I have no knowledge of the fact myself.

1616. *Chairman.*] Is yours a limited company?—No, it is a private company. The estimates which Mr. Purcell has based his whole calculations upon must either have been made by himself or by somebody in his department, that is to say by some one out of the trade (in which case I consider it absolutely worthless, for nobody but a person engaged in a trade is competent to make an estimate of the cost of production in that trade), or they must have been made by somebody in the trade. Now, I wish to point out that estimates are exceedingly difficult to make; estimates of this class are more difficult to make than ordinary trade estimates, and no one but a very experienced man whose time is of great value could make them; and I must leave to the Committee to judge whether anyone engaged in trade would bestow that time in giving information such as seems to have reached Mr. Purcell.

1617. I do not at this moment recollect in Mr. Purcell's evidence any statement that he based his calculations upon any specific information?—I understood that he did so.

1618. I will

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1618. I will ask you to direct yourself (and with the sources of information which you have at your command you are perfectly able to do so) to the question of the accuracy or inaccuracy of Mr. Purcell's estimate, without regard to the source from which it may have been derived?—I will pass on then to a definite statement which was made by Mr. Purcell. Mr. Purcell told you that in certain estimates he had made he took the bare cost of the material and labour, and added to that bare cost, by way of what we should call establishment and working expenses, 15 per cent.

1619. Is this the passage which you refer to; at Question 1594, at the very close of Mr. Purcell's examination, I put this question: "Would you just repeat that to me again, as I understand you estimate the cost of production and then you add 15 per cent. for the profit; but how do you estimate the cost of production previous to that addition? (A.) In this way: I first took the cost of material; I then took the cost of labour; to that total I added an allowance of 15 per cent. to cover fixed expenses and renewal of plates, &c.; that I consider to be the cost of production." Then I put this question: "Then there is a second 15 per cent. for profit? (A.) Yes, a second 15 per cent. as the net profit upon that." That is the answer to which you are going to direct your evidence, is it?—Yes, that is the answer. I think I have correctly stated Mr. Purcell's assertion by saying that he had taken the bare cost of material and labour, and to that had added 15 per cent. for establishment and working expenses. Putting it commercially we make up a gross profit sheet; an account in which on one side we take the total outlay in material and the total outlay in labour; on the other side, the creditor side, we take the total sales.

1620. The total sales less discount?—Less discount. The difference between the two amounts represents the gross profit. Such an account, I believe, is usual in every commercial house. On the other hand, in making up a net profit account we put on the debtor side of the account every expense that is incurred in the business, and, of course, on the other side the same amount as in the gross profit sheet. What I wish to say is, that I infer, from Mr. Purcell's argument, that he considers our net profit is practically only 15 per cent. less than our gross profit. Now I think (and I am speaking to gentlemen of large experience of affairs) that statement hardly requires any refutation from me; it is so ridiculously under the mark that I simply leave it to the Committee to judge on the subject. Mr. Purcell seemed to me somewhat confident about his figures. He says that he relies for confirmation of them upon the price that was quoted to the Government of India direct (not to the India Office here, as I understand him), for the Indian postage envelopes which we are supplying. I think he said that those postage envelopes had been tendered for at 50 per cent. below our prices.

1621. Mr. Heneage.] Do you refer to his answer to Question 1492?—Yes. Now, I beg to say that whoever sent that estimate out to India could not possibly have known the conditions on which anyone would have to tender for the supply of those envelopes. I do not for a moment dispute the fact that the price charged for the envelopes at the present moment is excessive, on account of the reduction in the cost of material, and the reduction in the cost of production; but I contend that the tender that Mr. Purcell refers to cannot be accepted as reliable to base any calculation upon. I am confirmed in that opinion by the fact that Mr. Purcell told me, in the course of conversation some time ago, that, as regards certain Stamped Papers which we supply to the Government of India under the name of Hundis, used for bills of exchange, a London house had sent out a quotation to India for these Stamped Papers at a very much cheaper rate than we were supplying them at. Now, Mr. Purcell was evidently not aware (and I did not enlighten him upon the subject, because it was not my business to do so at the time) that the stamps on these Stamped Papers are printed in doubly-fugitive ink, and it is well known and established by all that has happened that we are the only people in England who can print stamps possessing those properties. Consequently

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quently I say that the tender that was furnished must have been for a totally different article, and that it therefore really proves nothing.

1622. Mr. *Dixon-Hartland*.] Did I rightly understand you to say that you were the only people in England who could print in doubly-fugitive ink?—Yes; we are the only people in England who can print in doubly-fugitive ink, as is established by the competition alluded to. Mr. Purcell seemed further to rely for confirmation of his calculations upon the impending competition for the Stamped Papers, for which tenders have gone in to-day; he implied that the result of that competition would go far to establish his statements. Now, I beg to say that I do not admit that at all. We sent to Mr. Purcell a confidential communication upon the subject of these Stamped Papers some time ago. In that confidential communication we stated certain figures by way of reductions or discounts that we would be prepared to make upon the Stamped Papers, which would materially assist him in forming an estimate. He would naturally be able to infer, if we could make certain reductions for a three years' extension of the existing contract, that if a new contract were entered into for 10 years we could make increased reductions; it is very easy indeed, I think, for anyone to have arrived at figures in that way. Therefore I do not admit Mr. Purcell's assertion, as I understand it, that his calculations and figures would be confirmed by that test. I now pass on to another point. Since our contracts of 1880 (as I think you term them) were entered into the total quantities of cards, wrappers, and envelopes supplied have increased, in round figures, from 258,500,000 per annum, which they stood at in 1879 per annum, to 324,000,000, which were supplied in 1886. That shows how enormously the quantities have gone up, and consequently the cost of production to us gone down. Then I should like to say that Mr. Purcell has brought out the fact (and it is known to all the Committee) that the prices of material have gone down in a most unprecedented way during this period. The course of trade has been very much in our favour; there is no doubt about that. But there is another consideration that may not be so present to the minds of honourable Members, and that is, that our system of manufacture has undergone an entire change. Taking the post cards as a typical case (I do not wish to detain you by entering into details about all the articles), not a single machine that is at present engaged in their manufacture was in existence in 1879. We have discarded all the old machines and introduced new ones, many of which machines are of our own invention, and made in our own engineering workshop. We employ some 60 or 70 engineers, and we make almost all our own machines. I have myself designed many of them. I will give a few illustrations. In the printing of post cards we used to employ platen machines which go at a very slow rate; but by certain improvements we have been able to employ cylinder machines which go very much faster, and do not require so many boys and men to attend to them.

1623. Mr. *Jackson*.] Do they print from the web?—No, it is impossible.

1624. At present?—Yes. Then, again, the cutting of the post cards, more particularly the stout cards, used to be performed by hand labour by shears; that is to say, a man took a sheet and cut the cards by shears into single cards, one sheet at a time. By means of machines which we have invented and made we are enabled to cut those cards with very great rapidity, and with much greater perfection than we did by the hand process. I should be sorry to say how much we have saved by that; it is an enormous saving in cost. Those are only two instances amongst many that I might name. In connection with the sliding scales, some gentleman raised a question as to whether there ought not to have been a sliding scale generally in all the prices; that is to say, if the price of paper falls, why should not our prices fall? Let me put this to the Committee: supposing instead of a decrease in the price of paper or the other materials there had been an increase, then the Department would have got the advantage. There actually has been an increase in the cost of the gum which we use upon the adhesive stamps; the cost of that gum has gone up

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up very much indeed, but we were not in a position to go to the Board of Inland Revenue and say to them, We have to pay a great deal more for the gum that we use on the stamps than formerly, and therefore we want an increase in price. We are bound to the letter of our agreement; and just in the same way it is not open to the Board to say to us, because the paper has gone down, reduce your price.

1625. *Chairman.* | To what question of which Member of the Committee are you now referring?—I think it was a question put by the honourable Member on my right.

1626. I do not understand that the question of the honourable Member meant to imply that there was any complaint now?—No, I did not wish to imply that.

1627. If you are referring to Questions 1351 to 1353, put by the honourable Member for Uxbridge, the suggestion there seems to be that the sliding scale might, if it had occurred to the Board of Inland Revenue, have been applied to the contract up and down, in favour of as well as against the Department; what do you say to that?—If that had been so, it would have been equitable to both parties no doubt. It would be a very difficult matter to adjust, I think, but still it would have been equitable; there is no doubt about that. There is another point I wish to refer to. I have shown how much the consumption of the articles in recent years has gone up; but supposing that by change of taste or habit the consumption had gone down? As a fact in the case of postage envelopes for some reason which is quite unaccountable to my mind, the consumption has gone down enormously.

1628. *Mr. Raikes.* | Do you mean the embossed envelopes?—The embossed envelopes. It is quite inexplicable to me why those envelopes are not used so freely as they used to be, but it is the fact that they are not, and in the same way a change of habit might have led to the use of cards and wrappers being very much reduced. If it had been so the cost to us would have gone up very much instead of going down. There is just one instance which I should like to give of the great care which is taken in the production of what have been termed the inferior articles in the contracts, and it is this: At the present moment the number of persons who are engaged in our works in simply doing nothing else but examining the post cards and newspaper wrappers is 49. They go through those articles one at a time, and look over them carefully to see that there is no defect. In the case of stout post cards I find that in the first instance the examiners reject 8 per cent. of the cards as unfit to go to the public. Now if that 8 per cent. of cards were not rejected in the first instance, but were allowed to go forward, the public are so hypercritical in regard to every article that is supplied by the Post Office, that I venture to say the Post Office would be perfectly inundated with complaints, whereas the number of complaints that are received are practically very small.

1629. *Chairman.* | Do you say that 8 per cent. are rejected by you on the ground of the inferiority of the cardboard?—In regard to some imperfection in the workmanship or in the cardboard, or some defect, either a badly printed stamp or a defect in the cardboard, or bad cutting, or on some such account. That is only one of the many expenses that we are put to, of which no one unfamiliar with the subject would have any idea, or allow for in an estimate. We do not disguise the fact, and we have never disguised it from any one concerned, that at the present moment, as things are, as prices are, and as our improved system of production is being carried out, our prices on certain lines of articles are excessive; I refer to post cards more particularly, and some of the Indian envelopes. We have never disguised that fact at all, and I have often expressed our willingness, I have often expressed my willingness, to Mr. Purcell to come to terms with the Department upon the subject, in some way or other, but we have never been approached. It is not for us to initiate the negotiation; we hold it is for the Department. Now I desire to pass on to another subject. I understood Mr. Purcell, I think it was at the conclusion of his evidence, to say that although it was admitted that the price of certain

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articles was excessive, we had actually addressed the Board with a view of renewing all our contracts without making any offer whatever as to a reduction in prices.

1630. *Chairman.*] To what passage in his evidence do you refer; at Question No. 1543 Mr. Purcell is asked: "You say, about the 13th November 1886, Messrs. De La Rue applied for an extension of their contracts; the contracts had then nearly five years to run, had they not." And then again, at Question No. 1545, he is asked: "Did they offer any terms in that proposal; what proposal did they make," and he says, "The main ground they put it upon with regard to England was the great expense and trouble they had been put to in bringing out the new sort of stamps." Then, at Question No. 1546, he is asked: "Did they offer to make any reduction in price if they got an extension of the contract"; and he says, "No, they did not; they had already got the increased price for the new stamps." Then, at Question No. 1547, he is asked: "They wanted the contract extended without making any offer to reduce prices"; and he says "Yes." Then Mr. Mowbray asks, at Question No. 1548, "Was the application to renew the whole contract"; and he says, "Yes, all the contracts, both Indian and English":—That is the point that I refer to. I think those statements may have conveyed to the Committee the impression that although it is admitted that the prices for certain articles are excessive, we approached the Board with the view of obtaining renewals, or obtaining extended contracts without making any reduction whatever upon the prices.

1631. *Mr. Dixon-Hartland.*] Does not that passage merely mean that no offer had been made?—In answer to that I would merely say that the impression conveyed to my mind was as I have just stated it. Now, I beg to hand in a copy of the letter which Mr. Purcell referred to. It is addressed to Sir Algernon West, the Chairman of the Board of Inland Revenue, dated the 11th of November 1886. I am not going to trouble the Committee with the whole of it, I will only read two paragraphs of it; but I sincerely hope that the Committee, at their leisure, will kindly read it. This is a letter from the firm of Messrs. De La Rue and Company; there are some Appendices to it, which I am sorry cannot be printed, because they illustrate the subject matter very well.

1632. *Chairman.*] Will you read what paragraphs you propose?—Yes, if you will allow me. I must first, however, give you a short history as to what took place leading up to this letter, otherwise I cannot make myself intelligible without reading the whole letter, and I should be very sorry to inflict that upon you. I should say that when we entered into the contracts of 1880 the old stamps which you are all so familiar with were in use; that very soon, owing to certain requirements of the Post Office, a new series had to be adopted, that was the new series (*handing in a paper*) issued April 1884, carried out according to the instructions of the Post Office and the Inland Revenue as to design. Those stamps had not been in use very long when great fault was found with them. They did not answer the purpose of the department for reasons I need not fully enter into; they were not found sufficiently distinct from one another, and in other ways they were altogether imperfect. The consequence was that the then Postmaster General appointed a committee to reconsider the subject, and I was invited in my professional capacity as deputy engraver to the Board of Inland Revenue to advise the committee as an expert. What I have handed in are the old stamps. This is the series that was adopted by the committee (*handing in another sheet*).

1633. *Mr. Raikes.*] These old ones are Mr. Fawcett's stamps, are they not?—Those are the 1884 stamps; they were found very imperfect. As I was saying, I was invited to attend the committee. I find I first attended the committee on the 16th of September 1884, and the committee was in session I think until the following 15th of December; at any rate I kept a careful account of the days that the committee was in session, and it was 53; I do not mean to say that it was sitting all the time. During the whole of that time my thoughts were constantly upon the matter; in fact almost the whole of my time was devoted to

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to it; it was a most difficult subject. I had during almost all the time from three to four assistants engaged in conducting experiments for me, and in preparing designs. I submitted no less than 300 to 400 designs to the committee to select from, and I made a great many experiments.

1634. Mr. *Brunner.*] At whose expense?—At my own. I spent upon that investigation, in addition to my own time, several hundreds of pounds, and no recognition up to now has been made of my labours in connection with that committee. As soon as the stamp scheme was adopted, it fell to the firm of Thomas De La Rue and Company to carry it into effect. Up to the date of the designs being approved it was my individual work as the deputy engraver; but as soon as the designs were finally approved we received instructions from the Board of Inland Revenue to give effect to them. I pass now to the letter which I have handed in to you, and I will, with your permission, read paragraph 10 of that letter. The purport of the letter is to show what great efforts we made in carrying out the new stamp scheme, and laying our case before the Board in regard to that particular point.

1635. Mr. *Plunket.*] Is there any emolument connected with the office of deputy engraver?—Nothing at all except that when dies and plates are prepared the cost of the dies and plates is charged; that is to say, if I make a new plate I charge for the plate. There was no emolument whatever connected with that work. It does not fall to us, of course, to advise the Post Office, or to assist the Department in such matters. I simply acted as an expert who received no emolument. Paragraph 10 of this letter of 11th November 1886 is as follows:—"It would be impossible for any one regarding the new stamps to form any conception of the great effort called forth in their production, and it is for that reason that we have found it necessary to write thus fully upon the subject, for we feel that the time has arrived for us to bring the facts of the case before your Board. As we have already stated, for the last two years all our best powers have been devoted to the new stamp scheme, and everything, however important, has had to give way to it. It must be understood that the work expended in producing the dies, plates, and machinery actually used bears but a slight proportion to that expended in making the experiments leading up to those final results, and that, both in regard to those experiments, and in regard to the new apparatuses and machinery which we have established, a very heavy outlay indeed has been incurred by us. Besides which, the power of production in other departments of our business has been greatly hampered owing to the manner in which we have had to set everything aside for the stamp scheme; so that indirectly, as well as directly, it has been a great pecuniary tax upon us. When these facts are taken into consideration, and having regard to the severe strain that has been placed upon us personally, we feel sure that your Board will admit that we are entitled to consideration. When we entered into the new contract, all the necessary machinery and appliances were laid down by us for its proper fulfilment, and it was most certainly never contemplated that, owing primarily to a change in the law (the unification of the stamps), such an expenditure of time and money as we have been put to would have to be incurred. We have carried a most difficult undertaking to what we believe to be a successful issue, and, whilst we are aware that your Board would have a difficulty in allowing us an adequate pecuniary compensation, we are sanguine that they will recompense us in some measure in another manner for the great effort that we have made in their service." Then paragraph 11 is, "When work of any such a character has had to be initiated, we have always made it a condition that a contract should be conceded to us for a long term of years; but in this instance a contract is already in force, so that we simply beg respectfully to ask that an indorsement should be made to that contract, extending the term of it in so far as it relates to adhesive stamps, by ten years beyond the time it has to run. We feel confident that your Board will be so good as to take this proposal into favourable consideration in view of all the circumstances of the case, and remembering the cordial assistance we rendered to the Stamp Committee, and the manner in which we entered into the project without pausing to consider how we should be affected by carrying it

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through. We were led on by an enthusiastic belief that the result would be a most marked success, and it was that conviction which supported us all through, and which has enabled us to overcome the many difficulties we have encountered. Now, however, that we look back upon the cost to us both in time and in money, we feel that in justice to ourselves we must claim some kind of recompense at your hands." I beg leave to point out that we most distinctly said in this letter that we only asked for the extension of the contract in regard to adhesive stamps, and not in regard to post cards, newspaper wrappers, and envelopes. More than that; in the subsequent part of the letter you will find that instead of asking for an extension of those lines to us we absolutely offered to do the work in connection with the counting and the banding of the post cards and envelopes, and so on, free of charge, work which is at present done by the Inland Revenue Department. So that we really, in effect, offered a reduction of price of those lines without asking for any extension whatever in the contract concerning them. Although, of course, I received in carrying out the stamp scheme most valuable assistance and support from my partners and the staff connected with our business, the tax upon me, personally, as being the senior partner at the time, bearing the responsibility of the matter, was so great that my health entirely gave way under it, and certain symptoms were brought on which warned me that I must give up work; and the consequence of that strain was that I retired under medical advice from the business. Now, passing for one minute to the Indian work which has been referred to, the Secretary of State for India formerly had his own controlling staff.

1636. *Mr. Dixon-Hartland.*] Is the Indian work in the Estimate?—No, but it has been referred to. I will not detain you for more than a few minutes in referring to the matter. There are various articles which we supply to India in the nature of stamps. The Secretary of State for India formerly had his own controlling staff in our works, but he decided to ask the Board of Inland Revenue to undertake the control for him, so as to amalgamate the control. That was done without our being consulted in any way whatever. We were adverse to the change at the time, because we considered it was not an opportune time to make it; seeing that the contract for stamped papers was running out, and we held that it ought not to be disturbed. As the Committee are aware, the tenders for a new contract are going in to-day. We held that no disturbance should take place, but of course we had to give way. The consequence was that a great deal of re-organisation in our works had to be carried through in order to enable the Inland Revenue to control the work in the way they desired. Those alterations were carried out at our cost, and they put us to very great expense. In view of the expense that we were put to, you will find that we ask in this letter (I will not trouble you with reading the paragraph in question) that the contract for the Indian adhesive stamps might be extended in the same way as was the English adhesive stamps, and we asked that the contract for the Stamped Papers might also be extended. This offer was simply tentative. It was perfectly well known in the Inland Revenue Department and in the India Office too that we admitted that the price of the Stamped Papers might be subject to reduction; but in this tentative letter it was not possible, or we did not consider it possible, to say exactly what reduction we contemplated. We were willing to negotiate as to the reduction. In regard to the adhesive stamps the price was not subject to reduction; but in regard to the Stamped Papers we thought it was quite understood that the price would be subject to reduction. Mr Purcell reported against our proposal; and it now seems to me, so far as I can gather from the remarks that he made in evidence, that for some reason or other our letter was not sufficiently explicit to him; for I certainly understood him to say that he held that application to be for an extension of all our contracts, whereas it really only related to adhesive stamps, English and Indian, and to the Stamped Papers, and had no reference whatever to other parts of the contract. I may say that, as regards the total representative value of the stamps that we manufacture for England and for India, I have not been able to arrive at the exact figure, for we have been so pressed lately; but I believe it

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it is about 18 millions sterling per annum. We are absolutely responsible for the face value of the articles, and if any are lost or mislaid we should have to make up the value out of our own pockets; and, in order to bring home to the Committee a notion of the responsibility which there is in connection with the work, I may say that at the present moment there are from 40 to 50 employés of the Government in our works controlling and checking the stamps and stamped articles in question. Responsible work of this sort cannot be delegated; the partners have to attend to it themselves personally. There is no way of relieving ourselves from the responsibility: we have to give the greatest possible attention to the work, and I think, in view of the very great amount of work we went through, that our proposal in that letter was a fair and reasonable one, and that we really have not been treated in relation to it with the indulgence which we deserved.

1637. Mr. *Dixon-Hartland*.] I think you said that it is known all over the world that De La Rue and Company's stamps have qualities that no other stamps have?—Yes.

1638. Will you kindly explain in what way you mean?—Do you wish me to explain the technical differences?

1639. No; cannot you give it us just shortly. Is it in consequence of printing in doubly-fugitive inks?—It is the general characteristics of the stamps. I shall be able to send the Committee, if they wish it, a general description of the stamps; that will be shorter than describing it in detail in my evidence. If I might have the sheets which I have handed in, I might enter into a little explanation. I may define the stamps in this way: they possess the properties of being very protective against forgery, and they cannot be cleaned in any way for re-use. Those are the two chief properties I should claim for them.

1640. Why could no other stamps have these properties is what I want to get from you. I understood from the whole tenour of your evidence that your stamps have such a character that no other house could manufacture those stamps?—Yes; all I can do is to refer you to the conditions of tender upon which we tendered for the penny stamps, and perhaps to Sir Charles Herries' report upon the subject.

1641. I ask you for your evidence; I do not ask you to refer me to other documents. What I want to know from you is this, on what ground you claim that your stamps have qualities that no other house can produce?—I know as an expert in the matter that no other stamps which are produced in any country possess the qualities that ours do.

1642. What I wanted to ask you is rather this: Is it due to any process which you have and which other houses could not have?—Yes, distinctly; it is a secret process of our own.

1643. You have a secret process of your own which no other house has?—Which no other house has cognisance of.

1644. And you say that the possession of that secret makes your house the only house all the world over that can produce these precise stamps?—Yes, that is my opinion.

1645. Are these processes patented?—No.

1646. They are only secret processes?—Yes.

1647. Then how do you know that other houses may not have discovered and be using these secret processes?—I can only judge from results. I have examined the stamps of all the countries in the world, and I find that they do not possess the qualities which our stamps possess. I have also had an opportunity of examining the stamps produced by every other English maker, and I find that they do not possess the qualities that ours possess.

1648. Did you in any way, or did any of your firm, give the advice to the Board that these properties, which you consider specialities, are your own, should be put into the tender?—Not that I am aware of.

1649. How is it that the tender was put in such a way that, according to the previous witnesses, no other house could be selected but yourselves?—As I understand it, the Postmaster General had written to the Board of Inland Revenue to say that he required stamps similar to those which we produced;

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and of course if you have to define any article, whether it be stamps or anything else, you must describe it properly, and, as I gather from the document which has been put in, headed "Terms of Contract," the Inland Revenue attempted to define the properties of our stamps as nearly as they could, so as to indicate to the other competitors what they had to do in order to match them.

1650. You were one of the officials of the Board; have you given any advice to the Board, or has your father, telling them what sort of stamp you would advise them to have?—Not at all. We were not consulted on the matter. The Postmaster General wrote to the Board of Inland Revenue telling them distinctly what stamps he wanted. I should explain to you as, perhaps, you are not aware of the fact, that we have always, for years and years, produced the higher duties of stamps.

1651. I am talking of the contract of 1879?—I understand, but I think I shall be able to clear the air if I explain that from the threepenny stamps upwards, all the stamps used in England have always been produced by us, and the Postmaster General simply said, when he sent his letter to the Board of Inland Revenue, I require a penny stamp to possess the properties of the higher duties of stamps which Messrs. De La Rue have produced for over 30 years. That is what he said, I take it.

1652. In fact you being specialists, and having a secret process by which alone these stamps could be produced, if the other competitors did not know your secret process they could not produce the same sort of stamps, and they would have no chance of tendering at all. That is the fact, is it not. I am merely asking the fact; I am not complaining of what you did?—I think I see the purport of your question.

1653. What I want to gather is this, whether there was any chance at all of anybody being able to really compete against you or not?—I do not think there was any chance at all of anybody being able to produce our stamps, but we felt very keenly indeed the unfairness of that competition.

1654. Did not Messrs. Perkins and Bacon make a certain amount of the stamps before?—Yes.

1655. Why should the competition be unfair?—They were not the only competitors.

1656. Why should it be unfair for the State to try to get the best terms they could?—I will tell you why we felt at the time it was unfair, and have done so ever since. We were asked to compete for certain articles which we believed, and still believe, we are the only people able to produce, against firms who were not able to produce those articles; and we felt that our prices for a superior article would be compared with prices for inferior articles, and that in that way inferences might be drawn prejudicial to us.

1657. I am not finding any fault with your firm. Of course a firm has the right to make the best terms they can for themselves; I do not complain of that; but I want to gather whether in effect the matter was not really in your own hands altogether, and that really nobody else could compete?—That was our view; but so far as my recollection serves it was the intention of the Board in the first instance only to permit ourselves and Perkins and Bacon to tender. However other firms came forward, and said, We can produce these stamps, and we claim to tender for them; we can do them perfectly well; as well as Messrs. De La Rue and Company; we do not admit there is any secret, and we wish to tender. The Board were put in this position, that important firms claimed to be able to produce our stamps. The Board might have said, "We know you cannot;" but that is hardly the way in which a Public Department deals with such questions; they said "You can send in your tenders and your samples;" and that is what was done.

1658. Pray understand that I am not complaining in any way. I only want to gather, whether from your great experience and knowledge in these matters, you were not the only people who could perform this contract?—As you have put certain questions about the terms of contract, may I refer to the printed copy;

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copy; I understand you asked one of the witnesses whether we had had any connection with the drawing up of those terms.

1659. I asked whether you had given any suggestions as to the terms which had been put into it?—I may say that, if I had been consulted on the matter, I should at once have pointed out how imperfect this document (I mean these "Terms of Contract") was. One of the most important conditions of stamp manufacture, in my view, is that stamps should be printed in such a way that they cannot be transferred to stone, and so forged. There is no such condition stated in these conditions of tender. If the Board, in their discretion, had asked me, as their scientific expert, to read over the conditions of tender, and to tell them whether they truly and correctly described our stamps, it would have been my duty to point out to them that omission, which is a most important one. I have here a piece of lithographic stone. I had some stamps printed in a non-secure way, and transferred them to this stone, and I have printed therefrom these specimens, to show that if a stamp is not printed in a proper manner it can be transferred to stone and forged with the greatest facility. That is a mode of illicit attack which, if the Board had consulted me, I should certainly have suggested being guarded against.

1660. I understand you to say that you gave no suggestion at all to the Board with regard to what was put into the tender?—I believe I gave no suggestions whatever.

1661. Do you know that Mr. Cousins in his evidence says you did?—No, pardon me. If you look at Question 1513 you will see that Mr. Cousins referred to recess printing and surface printing.

1662. I think Mr. Cousins said in his evidence you called and made a suggestion about surface printing?—I have no recollection of it. I have a recollection of something that came to my mind a few hours after I heard the evidence of Mr. Cousins. I distinctly remember that I was in Mr. Garnett's room, the late Secretary to the Board of Inland Revenue, one day (I do not remember whether it was before the invitations for tenders went out or afterwards), and he said, "I want to have a clear perception of the difference between surface printing and recess printing; will you kindly explain it to me." I attempted to explain it to him, and I found my explanation was not quite as clear as it might have been; so I said, "I will come to-morrow and bring you a surface plate and a recess plate." I did so, and explained the technical difference between surface and recess printing. That is the only recollection that I have of anything to do with the matter.

1663. Was that while the tenders were being prepared?—I cannot remember when it was.

1664. Kindly understand that in any questions I put I make no complaint at all against your firm; it is not a question about your firm, but whether the State was taken care of?—I quite understand you; I have nothing to keep back or disguise.

1665. I am not suggesting that; now I understand that you have a contract for the penny stamps, which was this contract that was tendered for and which I have heard from all sides is considered a reasonable contract?—Yes.

1666. That contract was virtually consolidated afterwards into another contract?—Yes.

1667. Then the Inland Revenue come to you and say to you, "We want a supply of halfpenny, three-halfpenny, and twopenny stamps;" that in fact would fill up the whole gap between the threepenny stamps you spoke of just now and give you the whole contract for stamps?—Yes.

1668. Sir Algernon West says in his evidence that you held the pistol at the head of the Board in this way; you said, "You want the stamps and cannot do without them; and unless you give us the inferior work of the Post Office ——" We had it at the time.

1669. Yes, you had it for three years, but you said unless you give us a long contract for these inferior postal matters, we shall not be willing to tender for these stamps at all; that is the fact, is it not?—Yes; but I have fully explained

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to the Committee our reasons for taking that line. It was not that we wished to hold a pistol at the head of the Board at all; it was simply this, that we saw another opening for our enterprise in trade work which would be of permanent advantage to us, and we wished to take advantage of it and not to hamper ourselves with any more Government contracts for the time being. That was our feeling.

1670. Still that was the fact that took place, that you would not take one without the other?—We were not prepared to do it.

1671. I suppose that was the reason why no tenders were sent out for that work?—I believe that tenders were sent out. Messrs. Perkins and Bacon and ourselves were asked to tender; the other competitors were not asked, because they had already proved their incapacity to do the work as I understand it. I may explain that Sir Charles Herries was one of the kindest men that ever lived; and he felt very keenly about removing the work from Perkins and Bacon, and he said, "No, I must give them another chance." I think that was why we were asked to compete against them for the other stamps.

1672. The evidence given by every one of the witnesses is that nobody was asked to compete for these?—I can only say I know it of my own knowledge that Perkins and Bacon were asked to compete, and we did compete against them.

1673. You say there was competition?—Yes.

1674. Every one of the Inland Revenue officials has stated the contrary. Have they not?—I fancy I have some recollection of some one saying in evidence that there was competition. Within my knowledge there was a competition.

1675. I am speaking of the second contract?—Yes; I think I might be able to find you the letter bearing upon the subject.

1676. Are you the only people in England who print in doubly-fugitive ink?—Yes, we are.

1677. Was the condition put into the contract that it should be printed in doubly-fugitive ink?—Yes, distinctly. May I read you the letter that was written on the 7th of January 1880 to Messrs. Thomas De La Rue and Company by Mr. Garnett, the then Secretary to the Board.

1678. Is that the letter you referred to when you said Mr. Garnett asked you whether you were prepared to supply?—Yes; the letter is as follows: "Gentlemen, I am to acquaint you that the Board have determined to invite from your firm, simultaneously with that of Messrs. Perkins, Bacon & Co., designs for surface-printed postage stamps of the denomination of a halfpenny, three-halfpence, and twopence, with a view to the same being submitted for the consideration of the Postmaster General."

1679. That letter was not with regard to everything?—That letter was in regard to these three stamps.

1680. I think you misunderstand my question; when you had once stated that you would not take these three stamps unless you had the rest of the work; my question was whether there was any tender for the rest?—I beg your pardon, I thought you asked me whether there was any tender for these three duties of stamps.

1681. No?—I misunderstood you.

1682 Mr. Brunner.] I should like to give you an opportunity of correcting an answer you gave a moment ago; you said that the condition of doubly-fugitive ink was mentioned in the contract; is that so?—I mean in the contract, not in that letter headed "Terms of Contract." That is not the contract; that is the specification. I did not intend to imply that the contract for the penny postage stamps was for printing in doubly-fugitive ink, of course, because postage stamps are not required to be printed in doubly-fugitive ink, but they are required to be printed in singly-fugitive ink, and that was what I wished to say.

1683. Mr. Dixon-Hartland.] In your evidence in chief you stated that you were the only people who could print in doubly-fugitive ink, as was established by competition?

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competition?—I ought to have said in singly-fugitive ink. May I repeat what I ought to have said? that we are the only people in England who can print in singly or in doubly-fugitive ink. The singly-fugitive ink is very much easier to print in than the doubly-fugitive ink, and by the competition it was established that we were the only people who could print in singly-fugitive ink, consequently it may be inferred that the more difficult thing could not be done by other people either.

1684. Then my argument is the same; you are the only people who can print in fugitive ink; I may put it in that way?—Yes, in fugitive inks.

1685. If that were a condition in the specification, what other firm could have a chance of tendering against you?—We have gone over that ground before, have we not? I have explained what I believe to have been the Board of Inland Revenue's position in the matter. I believe they knew or felt convinced that we were the only firm who could supply the stamps such as were required, but pressure was put upon them by other firms to send in tenders, and the Board said, "If you say you can do it, send in your tenders, and send in specimens, and we will see whether they accord with the conditions of tender." I do not think any other course was open to them.

1686. Still, if you are the only people who could compete, do you not see that you could send in any tender you liked, and practically must be accepted?—We did not take that view at all. We took this view, that our price for very superior articles would be compared with prices for very inferior articles, and that we were placed at a great disadvantage by the course that was taken. That was the view which we took at the time, and we still hold it.

1687. Mr. *Henniker Heaton*.] I did not quite catch your answer as to whether you are a partner in the firm now?—No; but every letter that I have put in, excepting the one in answer to Mr. Cousins' inquiry on behalf of the French Government for information regarding our stamps, was, I believe, written whilst I was the senior partner of the firm.

1688. Who are the present partners?—The present partners are my two brothers, Mr. Thomas Andros De La Rue, Mr. Ernest De La Rue, Dr. Hugo Müller, and Mr. W. T. Shaw.

1689. Those are all the persons interested?—Those are the only partners.

1690. On the 27th of June 1879, you said, your tender was accepted for the penny stamps?—Yes.

1691. Will you produce the letter accepting your tender?—I have it here.

1692. Would you refer to it?—It is in the book here; it is rather a long letter; perhaps I had better hand it to you to read. (*The book is handed to the honourable Member.*)

1693. That is all I wanted to see; there is no other agreement beyond that, is there, at the time?—That was a letter accepting our tender, and of course, in due course, a formal agreement would be drawn up by the Solicitor to the Board, and submitted to us for such criticism as we had to offer, and then it would be finally engrossed as a formal contract.

1694. That letter is dated June 1879?—Yes.

1695. Have you the agreement that was drawn up then?—Yes; this is the agreement which has already been printed for your use.

1696. I do not want the agreement of May 1880; is there not another?—That is the only one I have. I am not sure whether we had a draft contract sent us or not; I cannot remember; but all I can say is, that it would have been in the usual course, the course that has been adopted for many years between us; in due course a contract was always entered into between us. If the Board of Inland Revenue were dilatory in the matter it was simply, I suppose, because they knew they could trust us, that in any case the contract would be entered into; but, in the meantime, these other negotiations were carried into effect, and this agreement embraces the whole thing.

1697. We have a copy of that agreement in the Appendix; after you got that tender accepted nearly a year elapsed, and in the meantime negotiations were going on?—I will refer to a table I have here, where I have all the dates very
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carefully noted. I see that the Board accepted our tender on the 27th of June 1879.

1698. Exactly?—Our proposal for this scheme of economy and reform went in upon the 30th of January 1880.

1699. That is, seven months afterwards?—Yes. My experience of public departments is, that is not at all an unusual delay.

1700. Those seven months elapsed, and in the meanwhile you were carrying on other negotiations, having got one tender?—No, that is not quite correct. We got the acceptance of the tender on the 27th June 1879. No negotiations were commenced at all until I saw Sir Charles Herries, after the receipt of the Board's letter on the 7th of January 1880.

1701. In accepting your agreement it is distinctly stated in that letter that I read that the Solicitor will be instructed to prepare the agreement?—No doubt he was instructed.

1702. But there is no agreement?—But he was instructed to prepare it.

1703. But there is no agreement at all during that seven months, is there?—No; but if I remember rightly I believe I heard of an agreement being drafted. I do not doubt for a moment that the Board instructed their Solicitor to draft an agreement, and that he had it in hand. There is no question in my mind about it whatever. The Board could not possibly have formed any idea that we intended to formulate our scheme of economy until we received Mr. Garnett's letter of the 7th of January 1880, asking us to tender for the halfpenny, three halfpenny, and twopenny stamps, because until then we had no idea of approaching the Board upon the subject.

1704. As a fact, did the tender for that penny postage stamp only amount to 9,000*l.* a year at the time?—As I have already told you, the first year that we supplied penny postage stamps was 1880, and I find from an analysis of our ledger that in that year the payment made to us for the penny stamp was 10,144*l.* 4*s.*

1705. As a matter of fact, if your tender had been accepted for that alone it would have amounted to 10,000*l.*?—That is so.

1706. In looking over the agreement, I find that it is not only a 10 years' contract, but the Government, at the termination of 10 years, are to give you notice?—Yes, six months' notice.

1707. So that it is practically a 10 and a half years' contract?—That is so, or we have to give the Government six months' notice.

1708. Did you see Mr. Cousins before the tender was prepared in regard to this contract for the penny adhesive stamp; you saw Mr. Cousins, as a manufacturer, in regard to the tenders, did you?—I do not understand the question.

1709. When you understood that tenders were to be called for, did you see Mr. Cousins?—Undoubtedly; I saw Mr. Cousins generally four or five times a week.

1710. He was, in fact, advising the Government?—You asked me whether I saw Mr. Cousins, and my reply is, that our business requires us to see the Controller of Stamps four or five times a week, and, in fact, we are sometimes almost in hourly communication, or, at any rate, daily communication, with him. But I do not know that Mr. Cousins saw me specially with regard to the penny tender; I do not think he did.

1711. You are perfectly certain in your mind that yours was the only house that could produce this special stamp?—That was our opinion.

1712. In the course of the evidence Sir Algernon West stated that, in his opinion, your firm lost money in the early years of the consolidated contract; was that the case?—Would you kindly read what Sir Algernon West told the Committee?

1713. I am asking, did you lose money?—Would you kindly read Sir Algernon West's statement to which you refer?

1714. It is at Question 985, and what Sir Algernon West said is this: "I believe at the time of the contract, and for some time after, there was a loss to the contractors which, I think, was equally as large as the profits in later years have been large"?—May I ask what is your question to me upon that?

1715. I asked

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1715. I asked you this question: I said that in the course of his evidence Sir Algernon West stated that, in his opinion, your firm lost money in the earlier years of the consolidated contract of 1880, and I ask was that the case; there is no catch in it; it is a simple question?—You ask me whether we lost money actually, and I say certainly not; not by the consolidated contracts. We should not have knowingly entered into a contract to lose money, and, if I may be allowed to explain, the reason I wished the question put clearly was this: I understood either Sir Algernon West or Mr. Robinson to say that, in their opinion, when we undertook the manufacture of the penny stamp, we lost money, and I was very much surprised at the acumen which they showed in arriving at this conclusion from our income-tax returns, because, as I have already told you, the first year that we supplied these penny stamps, namely, 1880, so far as we could arrive at a conclusion about it, we did lose money, and very considerably, by the contract. That is why I wanted that matter cleared up.

1716. You say that you lost money by the whole of the consolidated contract?—I beg your pardon, I am referring to the penny stamp contract.

1717. I ask you with regard to the consolidated contract?—I have given you the answer to your question.

1718. In the course of his evidence, Sir Algernon West said that in his opinion you lost money in the earlier years of the consolidated contract of 1880?—That is exactly the question put to me before, and I must give you the same answer again.

1719. Some references have been made to the Indian contract; are you the contractors now for India?—Yes.

1720. Would you tell the Committee what are the terms of the Indian contract, or have you a copy of the Indian contract?—Yes, I shall be happy to furnish it to the Committee. I have here many contracts, and you can have copies of all of them if you wish.

1721. I do not think it will be necessary for us to have that; do you think it is the fact that India and England are now paying 60,000 *l.* a-year over the figures at which equally good articles could be obtained elsewhere?—I have been refuting that statement all through my evidence.

1722. It is not true then?—No, the whole purport of my address to the Committee was to refute that statement.

1723. That is all the answer I want; have you tendered for the new Indian contract?—We have; we have sent in a tender to-day.

1724. Before the tenders were called for the new Indian contract, did you make any proposal to the Indian Government, or representations to the Indian Government?—We did; we made a proposal; shall I give you the history of it?

1725. Will you do so briefly?—Mr. Purcell, who was acting for his Board in the matter of the Indian contracts (I am almost sure it was Mr. Purcell himself), wrote to us to ask us whether, in view of the Indian stamped-paper contract being extended for the term of three years, we should be willing to make certain reductions in price, and we replied to that letter, stating the reduction which we should be prepared to make. I have unfortunately not got the correspondence here, and I do not remember what reductions we proposed, but we did propose substantial reductions. We thought it was a matter to be negotiated by treaty between ourselves and Mr. Purcell. The reply we got to our offer was that the Secretary of State refused our offer, and had decided to put the matter up to competition. We considered ourselves very harshly treated in the matter. We thought that the negotiation was to be conducted on business lines, that is to say, that if our offer was not acceptable some sort of discussion was to take place with us, and that we should have an opportunity of taking the views of the Government of India upon the subject, so that we could come to some arrangement; but instead of that we got that answer, whereupon we wrote to Mr. Purcell, laying before him the views which I have just expressed, and saying that we considered that it would be a very harsh measure, indeed, to break off negotiations in the spirit that the negotiations had been broken off; and we made further concessions in price. Then in handing that letter

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to Mr. Purcell, I made it a condition with him that it should be a confidential communication. That was a confidential communication; and it is that confidential communication which I referred to in my statement as being likely to assist Mr. Purcell in arriving at the price at which things can be supplied under the new proposed extended contract.

1726. In justice to Mr. Purcell, I may tell you that I have before me the confidential report which Mr. Purcell submitted to the Board, and I am now examining you upon that?—That Report has nothing to do with the letter I refer to.

1727. I think it has, as you will see in a moment; when you knew that this Indian contract was to be put up for competition, how much percentage did you offer to reduce the Indian contract by?—In our second letter, do you mean?

1728. Yes?—I am not prepared to say, as I have not got the letter with me.

1729. Do you not think the reduction you offered amounted to 15 per cent.?—I have not brought the correspondence; I really cannot tell you.

1730. Have you the total amount paid you annually by the Indian Government?—I have not got it.

1731. Have you any notion?—No; I cannot remember.

1732. Is there any one here from your firm who can tell you now the amount you received from the Indian Government?—No, there is not; I was not prepared for that question. I should be happy to give you the information upon any other occasion, but I have not got it here now.

1733. There is just one other very important point with regard to the contracts, and it is this: what is the reduction in the price of material between the time you tendered and now?—I decline to answer that question on two grounds. First of all, I have not posted myself up with the information; and secondly, I do not think I am called upon to communicate that information to the Committee. They have other sources of obtaining it, and can ascertain for themselves.

1734. It has been given in evidence that the fall in price since the date of the contract of 1880 amounted to 25 per cent.; is that correct?—I am not prepared to give any answer to that question. You can obtain the information very readily.

1735. You have made the statement now, as I understand, that Mr. Purcell's figures were not correct?—I did not challenge Mr. Purcell's figures at all with respect to the price of materials.

1736. Or his figures at all?—Not with respect to the price of materials; I did not refer to them.

1737. Or of profit; did you challenge his figures?—As I have said, the whole of my statement, of course, has been made with the view of showing that the terms upon which our tender of 1880 was based were fair and reasonable terms, and that Mr. Purcell's deductions as to our present profits are not correct.

1738. Am I to understand you cannot give us the price you paid in the market for material then and now; can you?—Certainly not.

1739. With regard to these postage stamps, where do you obtain the materials from, and also the materials for the newspaper wrappers, and what we call the inferior postal matters?—I decline to inform you of the source of my supply.

1740. Do you decline also to state whether you get them from England or Germany?—Not at all. We have always got certain of the papers from Germany; and the State would suffer a great deal if the German supply were not resorted to; because the German manufacturers of paper, especially the wood pulp paper, are in a much better position to turn out that article at a cheaper rate than the English manufacturers. The trees out of which the paper is made are on the spot, and that puts the German maker in a totally different position from the English maker.

1741. Do you decline to say at all where you get the material?—I do not decline

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decline to tell you that some of it comes from Germany; but if you ask who are the various makers I must decline to answer.

1742. I do not wish to know the makers at all, but you say that some comes from Germany; that is enough for me?—Yes.

1743. In the case of the Indian Contract it is stated with regard to the half-anna envelopes, that there was an excessive charge of 9,000 *l.* upon an outlay of 19,000 *l.* Is that true?—I have already stated that I do not admit Mr. Purcell's figures with regard to those envelopes. I have told you that in my view that calculation is based upon a letter which was sent out to India, as Mr. Purcell says, by a London house. My contention is, that just as the price which he quoted to me for the Hundi papers was inaccurate, in so far that the tenderer, whoever he may have been, did not actually know (and Mr. Purcell, I am sure, at the time did not know) that these papers were printed in doubly-fugitive ink, the conditions under which the papers had to be manufactured, so, I say the man or the firm who sent out the tender for the Indian envelopes did not know the conditions under which they were to be manufactured; and, therefore, I contend that his tender cannot be accepted as a correct basis for calculation.

1744. Are you aware that Mr. Purcell has stated that he thinks that your charge for stamps a fair one?—I heard Mr. Purcell state that.

175. I am trying to get some information in regard to what we call the inferior postal matters?—I understand what you refer to.

1746. We do not for a moment take exception with regard to the stamps; everything with regard to them is admitted; but we want to know about your getting this contract without competing for the inferior postal matters, which it is stated could be got at a so much more reasonable rate, and we want to know the circumstances under which you tendered for that contract?—I quite understand.

1747. You can give us no information as to what led to the negotiations, and you can give us no further information than you have given already with regard to the inferior postal matters; the uncompetitive contract?—I thought I made my statement so full in regard to that matter that I was afraid I was wearying the Committee. I do not think I could say anything more upon it.

1748. Mr. *Brunner*.] I have taken down from you several dates with regard to the contract for the penny postage stamps. On the 27th of June the tender was accepted?—Yes.

1749. I see, from the paper which has been printed in the Appendix, that the terms of the contract include a stipulation that the delivery of the new stamps shall commence from the 1st of October?—Yes.

1750. You told us that it was the 1st of November when you first sent the stamps in?—Yes; the document you refer to contains the conditions of tender. I can simplify it very much, if you will allow me to explain; the time was extended two weeks.

1751. Perhaps you had better understand what is in my mind before you explain. On the 1st of November you first sent the stamps in?—Yes.

1752. You gave a guarantee, if your contract is in accordance with these printed terms, that you would deliver the new stamps on the 1st of October?—Yes.

1753. Will you kindly tell the Committee why the time was extended?—I am not prepared to say. I think I must withdraw my statement about the 1st of November 1879. I am not at all sure that the stamps were not delivered before that. They were first charged then I think. Unfortunately I have not got the means of verification.

1754. I have taken it down that the 1st of November was the date on which the stamps were first sent in; not when they were first charged?—It looks to me as if it were the date of the charge by our accounts going in on the 1st of November, and I believe I was wrong in saying that it was the date the stamps were first sent in; I believe they were sent in earlier. If you will allow me, I will find out about that; I have not my books here.

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1755. Upon that date depends the whole of what I wish to ask ; I call your attention to the fact that there was a long delay between the sending in of the tender and the acceptance of the tender ?—Yes, six weeks.

1756. You describe yourselves, and I believe very fairly, as “long-trying specialists of unique resources” ?—Yes.

1757. I take it, until you correct me, that you were not able to deliver the stamps, according to the terms of the contract, on the 1st of October ?—Yes. May I be allowed to look into that, and perhaps correct my evidence when I have ascertained the fact ?

1758. Can you tell us whether other firms who could not be described as “long-trying specialists of unique resources” could, by any possibility, have kept to the terms of the delivery named in this printed statement ?—I think that any firms who were in the habit of producing stamps of any sort whatever could very well have kept to the same terms as we kept to without any difficulty. I hold (as I have explained to you several times) that no other firm were competent to produce the particular kind of stamp that was required, but they could produce their own form of stamp within that limit of time certainly, just as we did. Until the penny stamps were undertaken by us, we printed all stamps by hand ; but when that contract was entered into we had to re-organise the whole of our system of manufacture, and to establish steam machines for printing stamps ; because, otherwise, we could not possibly have coped with the work ; and we had to do all that in the interval. I do not see why other people should not have been able to do just the same ; we had to buy machines and erect them, and it was competent to other people to do the same.

1759. Were the first stamps sent in by you under this contract made by machines which you had bought and erected in the interval between the 27th of June and the 1st of November, if that be the date of the first delivery ?—They were. Not only were there new machines but new plates, and everything had to be prepared.

1760. Do you think that that was a reasonable time to be allowed to you ?—I think, considering that we fulfilled the condition, it was a reasonable time. Of course, it was a great undertaking, but anything of that sort is a great undertaking.

1761. In the hands of other firms, it would have been at the least a greater undertaking ?—I do not admit that for a moment. I say that other firms could have produced their style of article just as easily as to time as we produced our style of article. I do not admit for a moment that we were in a better position to produce our particular stamp than other firms were to produce their particular stamp.

1762. You have, I think, claimed that your firm is the only one who are able to produce stamps in singly-fugitive ink and doubly-fugitive ink ?—Yes.

1763. Are you aware that some other firms claim that they can print in singly-fugitive ink, and doubly-fugitive ink ?—I was aware that they claimed it before the penny stamp contract was put up for competition, but I think that since then they would be very modest in making any such assertion.

1764. You wish the Committee to believe that no firms now make such a claim, do you ?—I do not know. I really cannot answer for what they say.

1765. I think that you have, within the last few minutes, given me some idea of what you meant when you spoke of re-organisation of business ; but I should like to understand the matter a little more fully. Did that re-organisation of business involve a removal on the part of the Department of any inconvenient conditions, or restrictive conditions, that the Department had before imposed upon you ?—None at all that I am aware of. If you refer to the control or anything of that sort, there were no easements that I am aware of.

1766. Or as to the seat of manufacture ?—None at all that I am aware of. I do not quite understand your question. If your question is whether we had to ask the Board of Inland Revenue to treat us leniently on any points, I say no, we did not. The work was carried out on exactly the same lines that had ruled for all previous work.

1767. Did the Board permit you to manufacture in a different place from that

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that in which you had previously manufactured the stamp?—Certainly not. They were manufactured at our works in Bunhill-row.

1768. And nowhere else?—Nowhere else, so far as the work carried on under control was concerned. I should explain that we are perfectly at liberty to gum the stamps and do other work in connection with them wherever we like. It is only during the process of printing that control is exercised. The printing of the penny stamps was instituted, in the first instance, in the same room where other printing was going on for the Inland Revenue.

1769. You have no further explanation to give with regard to this phrase of yours, "re-organization of business"?—In what connection did I use that phrase?

1770. In regard to making it easier for you, I understood?—Pardon me, but I think we are talking of two totally different things. You have been questioning me, as I understood up to this moment, respecting the penny postage stamps. My answer about the re-organisation of business and concentrating the work which had extended over five factories practically into one, related entirely to the re-organisation which took place after the contracts of 1880 were entered into. It had nothing to do with the penny stamps; they were part of the business, of course, but that re-organisation was not connected in any way with the initial arrangements for the production of the penny stamps.

1771. There was no confusion in my mind?—There was in mine, and that was why I wished to clear it up.

1772. You told us that you could not ascertain the profit or loss on a particular contract?—I never made such an assertion. If I may explain the matter, what I told you was this: That when we came to make up our profit and loss account for the year 1880, notwithstanding a large increase in business brought about by our being entrusted with the manufacture of the penny stamps, we found that instead of making an increased profit, as one might reasonably have hoped to have done, we actually had made a less profit than in the previous year; and we accounted for that by the great disturbance in our business which had taken place in consequence of the manufacture of the stamps, and by our attention having been diverted from other important matters in regard to our general business, which, if we had been free to attend to, we should have been able to conduct on better lines. That is what I wished to convey to the Committee.

1773. I understood that you attended, as the permanent honorary adviser to the Board of Inland Revenue, a committee appointed to decide upon the colour and qualities of the stamps that were to be supplied by your firm?—Yes, having the contract at the time for the supply of stamps.

1774. The Board of Inland Revenue, being a customer of yours, called you in; they, so to speak, divided you into two persons—the one a member of the firm, and the other an honorary adviser to the Board?—Yes.

1775. And they took your advice in one capacity upon the work you had to do in another capacity?—Undoubtedly. I should not say they took my advice. They listened to my evidence, and they looked at my designs. I did not settle the question; the Stamp Committee settled it subject to the Postmaster General's approval; they did not act upon my instructions; I acted upon theirs in the matter.

1776. When you attend as a permanent officer, whether honorary or not, you surely are there to give advice?—I was there to give the best of my experience to the Committee of course.

1777. Paragraph No. 10 of your letter of 11th of November 1886, which you read, speaks of the expenses of these experiments as expenses out of the pocket of Messrs. De La Rue and Company, as I understand?—No, pardon me, I thought as I read that paragraph that there might be some confusion. I have here the series of designs submitted to Mr. Shaw Lefevre for his approval. Those designs were the outcome, as I have told you, of very great effort and expense on my part and on the part of my assistants.

1778. The expense being out of the pocket of Messrs. De La Rue and Company?—Not necessarily; perhaps out of my own pocket.

1779. Will you tell us which it was?—I do not think it is at all necessary for

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me to say who actually bore the cost. I submit that it really does not affect the question at all whether I, as senior partner of the firm, bore the majority of the expense out of the firm's funds, or whether I drew a cheque upon my own private account at the bank and paid the amount. I am not prepared to answer the question.

1780. I want to ascertain whether the Government is in an independent position; and if it allows a private gentleman to conduct experiments at his own expense that I should say is not an independent position?—May I say this: when I was called before the Committee they saw the work that was being done, and they then said to me, "What claim are you going to make on account of all this work—is it going to run us into much expense?" I said, "I am not going to advance any claim," and I never have advanced any claim in regard to my personal work. I simply tell you, as a matter of fact, that up to the date at which these stamps were finally approved by the then Postmaster General, I had conducted elaborate experiments to test every stage of my work, to see whether what was required could possibly be done. As I was reading this letter it occurred to me that it might lead to confusion, and therefore I wish to explain so much. When the designs of the stamps were sent to Thomas De La Rue and Company to execute they could not go straight on with the plates; there was no possibility of going straight on as if it were a job we had been accustomed to. We had to make a great many tentative experiments to see what was the best plan of producing that series of stamps, and those are the experiments which are referred to in Clause 10 of the letter. We pointed to the fact that, independently of making the actual dies and plates, there was a great deal of preliminary work to be done in connection with the new stamps.

1781. You told us that the tenders for the Indian Stamped Papers were going in to-day?—They have been delivered to-day.

1782. Can you give us a copy of the letter asking for those tenders?—I have not brought any of the Indian correspondence with me. With the approval of the Board of Inland Revenue, I shall be very happy to send a copy of the letter if the Committee wish it (*vide* Appendix).

1783. Mr. Preston Bruce.] I would like to follow up and bring out a little more clearly the several stages through which the agreements between Messrs. De La Rue and the Inland Revenue passed. I understand that, with regard to the penny adhesive stamps, your tender was accepted on the 27th of June 1879?—That is so.

1784. That was a binding and complete agreement?—I should like to show you the tender.

1785. I do not ask as to its terms, but I merely ask whether that was a binding and complete agreement?—I have our tender here; it is a very long document. Here are all our specimens, and so on. The tender sets forth most fully the terms upon which we were willing to supply the penny stamps in accordance with the specification sent to us by the Inland Revenue, and I hold that it constitutes a binding agreement, and really, as a matter of law, did not require any ratification whatever by a formal contract. I am not a lawyer, but I should think that after the Board had accepted our tender it was a binding agreement on both sides.

1786. You treated it as a binding agreement?—Yes, and acted upon it at once.

1787. But it was not reduced to the shape of a formal contract?—No, but that is the course that has always been adopted, not only with the Inland Revenue Department but with other Departments, so far as regards all our contracts. The Board said in accepting our tender: "The Board have determined to accept your tender, and will give directions to their Solicitor to proceed forthwith to prepare the Draft contract."

1788. That was in June 1879, I understand; then the next negotiations which arose, I understand, were with regard to the halfpenny, three-halfpenny, and twopenny stamps?—That is in the letter the Committee have printed already.

1789. Then,

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1789. Then, with regard to these halfpenny, three-halfpenny, and twopenny stamps, was it proposed that Messrs. Perkins and Bacon should compete with you?—I have read you the letter saying that they would be invited to tender.

1790. But that competition never actually took place, did it?—I think Messrs. Perkins and Bacon sent in a price. I never understood otherwise.

1791. Was not your answer that you would not offer for those stamps alone without the rest?—Yes; in effect, our answer was that we were not prepared to go on with our stamp work at that time unless we could have it simplified. I made it a condition that we should, as I have told you before, have an answer, yea or nay, to our proposal, called the Scheme of Economy and Reform, before we sent in our tender for the stamps in question. The matter had been in negotiation for a long time, and the Board finally accepted our proposal on the 6th of February 1880. You will see the dates bear out what I tell you; the Board felt the necessity of our having that letter in our hand before the 7th, when the tenders were due for the other stamps. On the 7th our letter went in, and concurrently a tender from Messrs. Perkins and Bacon for the stamps in question; at least so I have always understood.

1792. My impression was this: will you tell me whether it is correct, that your firm said they were not disposed to offer separately for these halfpenny, three-halfpenny, and twopenny stamps?—No; that is a wrong impression. I will show you the tender if you will allow me. It is a distinct and separate tender. Here is our tender, and I should like you to see it, if you do not mind looking at it (*handing a book to the honourable Member*).

1793. Had this tender nothing to do with the post cards and wrappers?—It had nothing whatever to do with them.

1794. Was this accepted separately?—Yes, as a distinct acceptance. It was incorporated into the contract afterwards. I think there is no doubt whatever (and I have no doubt that the Inland Revenue could satisfy you upon that point) that the Solicitor was drafting a contract for the penny stamps at the time our tender for the halfpenny, three-halfpenny, and two-penny stamps was accepted. As I have already said, there are often delays in Government offices. In this case the Board of Inland Revenue knew that they had got a binding agreement with us, and there was no immediate hurry; we were acting upon the correspondence. The mere fact that we had been delivering the stamps and were paid for the stamps upon those letters would have ratified the agreement. I suppose the pressure of other work set aside the drafting of the penny contract; but I have not the slightest doubt that the contract was being drafted, and that the Committee could obtain the draft.

1795. That is not the point I am interested in; what I am trying to get was the relation between the tender with regard to the halfpenny, three-halfpenny, and twopenny stamps, and the bargain with regard to post cards, newspaper wrappers, and envelopes?—The relation was this: we said, "We will not go unless you give us an extended contract; otherwise we do not wish to supply you with any other articles." I most distinctly led Sir Charles Herries to understand that he must come to a conclusion upon that subject before we tendered for the halfpenny, three-halfpenny, and twopenny stamps. He did come to a conclusion, and then we sent in our tender.

1796. Therefore, your tender for the halfpenny, three-halfpenny, and twopenny stamps was contingent upon that other contract?—Undoubtedly, but it had no connection with it otherwise than that.

1797. Is not that a connection?—That is a matter for the Committee to consider.

1798. Would it not be more correct to say that these two formed one contract, the one being contingent upon the other?—No, I do not admit that. We had an absolute contract for the consolidated work. The Board sent us in a hard-and-fast letter on the 6th of February, accepting our offer; and I hold that that letter was a distinct agreement with us, and that, apart from everything else, that agreement would have held. Afterwards, on the 7th, the next day, we sent in another tender, which they after some deliberation accepted. I

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cannot see that the two things can be considered to be one and identical; they are not, they are distinct agreements.

1799. Do I understand you to say that the agreement as regards the cards wrappers and envelopes was completed before the agreement with regard to the halfpenny, three-halfpenny, and twopenny stamps was entered into?—That is what I wish to say, that is so undoubtedly. If you refer to the table I have here you will see at once that it is so. You see: "The Board accepts our offer, 6th February 1880;" and then we tender for the halfpenny, penny-halfpenny, and twopenny stamps on the 7th (*handing a table of dates to the honourable Member*).

1800. Then, I understand you to say that it is the penny adhesive stamp contract that was completed on the 27th of June 1879?—Yes.

1801. The post cards, wrappers, and envelopes contract was next completed on the 6th of February?—Yes.

1802. And the halfpenny, three-halfpenny, and twopenny contract on the following day?—Yes, the tender was sent in by us on the 7th February.

1803. Mr. *John Ellis*.] The honourable Member for Canterbury put a question to you, as to whether you saw Mr. Cousins?—Yes.

1804. Mr. Cousins at that time occupied a high position at the Inland Revenue?—Yes; he was Controller of Stamps.

1805. And you were the contractors to the Inland Revenue for the supply of stamps?—Yes.

1806. Would you constantly, of necessity, be seeing Mr. Cousins on business in connection with the supply of stamps?—I have no hesitation in saying that I should see Mr. Cousins at least three times a week, and sometimes daily, in connection with the work of the Department.

1807. Mr. *Raikes*.] I have only practically two questions to ask you. I do not know whether it has been made quite clear to the Committee, but I think you intended to make it clear. When you spoke of stamped papers in regard to the Indian Contract, you meant stamped papers as described in the 19th clause of the letter of the 11th of November 1886, in which you say: "In the generic name of 'stamped papers,' in the above remarks, we include the 'Non-judicial,' the 'Court Fee,' the 'For Copies,' the 'Hundi,' and the 'Salt Boat' note stamped papers;" that, I presume, is an exhaustive description of what "stamped papers" in that document refers to?—It is an exhaustive enumeration of the names by which they are known.

1808. In speaking of stamped paper you made no reference to what has been called, in the course of this inquiry, the inferior postal matters?—No; the paragraph had nothing to do with it.

1809. You confine yourself exclusively to the stamped papers enumerated here?—Yes.

1810. You say that on several occasions you discussed with Sir Charles Herries your scheme of economy and reform?—Yes.

1811. And you consider that the offer you made, with regard to the production of inferior postal matters, was a fair and reasonable one?—Undoubtedly.

1812. And you were surprised on receiving a letter from the Secretary requiring a further reduction in the case of the envelopes?—I was.

1813. You made some reduction, I understand?—We did, under pressure.

1814. You reduced it, I think, to 15 per cent., but not to 20 per cent.?—Quite so; we reduced the envelopes by an extra 5 per cent., making in all 15 per cent.

1815. You were not asked to make a reduction with regard to either the stout or thin post cards?—We discussed the prices very fully with Sir Charles Herries; he had gone into the matter in the most exhaustive manner, so far as I could judge, and I understood that he was satisfied with those prices. I also understood, until I received that letter from the Secretary to the Board, that he was satisfied with the prices for the envelopes.

1816. You heard Mr. Cousins' evidence the other day, did you?—Yes.

1817. Mr. Cousins stated, in answer to Question 1418, that his opinion, though

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though not asked upon other points, was asked as regards the envelopes, and that he was told to send one of his lieutenants, which he did; therefore, I presume the Board, in asking you to make the reduction, acted upon information obtained in that way?—Yes.

1818. But with regard to all the other classes of inferior postal matters, you regarded the matter as concluded in your conversations with Sir Charles Herries?—I did. I do not think Mr. Cousins was quite correct in some of his information, for he was not present when I had my interviews with Sir Charles Herries. I negotiated the matter with Sir Charles Herries personally, and I am certainly strongly under the impression that Sir Charles Herries had not only information with regard to the post cards and newspaper wrappers, but also some prices and samples before him. I may tell you, as illustrating the way in which Sir Charles Herries went into these matters (though I am not quite positive whether it happened in the case of this particular contract), that he actually sent an expert, a printer, to our works. I think he asked me to allow Mr. William Spottiswoode, who was a relative of his, to send someone down to our works to make certain inquiries, and, though I did not think it was quite a proper thing to do, I showed him our printing machines. The information he appeared to wish to obtain was the rate at which we were printing the articles, for he timed the machines, and I have no doubt that he conveyed certain information to Sir Charles Herries upon the subject.

1819. Did not the expert make any inquiry with regard to the production of envelopes when he came down to your works?—No; I think I satisfied Sir Charles Herries that the specimens of envelopes which he showed me were not so good as ours, and if you will refer to the letter which I have handed in you will see that we told Sir Charles Herries that, if he wishes to have the envelopes of a cheaper quality, it would be perfectly easy to produce them, but we should have to employ a different class of paper, for I found that the samples which he showed me were not made of superfine paper, but were of a lower grade; and I satisfied him upon the point, I think. Of course it will be remembered that it is eight years ago since all these negotiations took place, and I am only conveying to the Committee, to the best of my recollection, what happened.

1820. When you say that your whole offer was a fair and reasonable one, although it was subsequently subjected to a reduction, I take it, you mean that you consider it was a fair and reasonable one, having regard to the circumstances of your own business, rather than to a comparison with the prices of other firms?—No; I say that generally it was a fair and reasonable offer under all the circumstances of the case, and that it was an advantageous offer to the State.

1821. Did you make any comparison between your own prices and those of other firms?—I could not make comparisons, because other firms were not making the same articles.

1882. Were not other firms making envelopes?—Not the particular line of envelopes.

1823. Not of that particular shape, perhaps, but surely it is easy to arrive at a comparison, is it not?—No, it is not at all easy to arrive at a comparison. The papers we use for Government are made in specially and stamped in a particular manner. You cannot arrive at a conclusion by comparisons so easily. All I can say about those envelopes is this: when Sir Charles Herries showed me the envelopes I compared them with our envelopes, and I found those envelopes were of a different and lower quality of paper to ours. That was undoubtedly the fact, and that was why we wrote in the spirit of the letter which I have handed in, saying that we could meet him fully as to price if we reduced the quality of paper.

1824. Mr. J. F. X. O'Brien.] Did I rightly understand that you were appointed to work with this Committee upon the matter of stamps as engraver and adviser to the Committee?—I was invited to attend.

1825. Subsequently, at all events, as I understand, you were appointed to
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an official position?—No, pardon me, my appointment as engraver is long antecedent to the appointment of the Committee.

1826. Then in what capacity did you attend the Committee; was it in your official capacity?—Yes, in my official capacity.

1827. In your official capacity you attended the Committee, and you acted as adviser to a certain extent, I presume?—I was not a member of the Committee; I was simply called in when the Committee requested to see me.

1828. You were an adviser of the Committee, as I understand?—My evidence was taken amongst that of other witnesses, and as I have already told the Committee, I submitted designs and so on.

1829. I think I understand you to say that you were adviser as well as engraver?—I was an expert.

1830. Did it not strike you that was rather an anomalous position for you to occupy with the Board, your own firm being the principal contractors who tendered for these various things?—I do not think so. Quite apart from my holding the appointment of Engraver to the Board of Inland Revenue, my firm had a contract for 10 years for certain stamps, and if those stamps had to be varied in any way no other people would be called upon to make designs for the new stamps than ourselves, because we should not have been prepared to carry out the designs of other people. It was for us to be called upon to make the designs, and I do not myself see that the accident of my having a Treasury appointment in any way interfered with what would otherwise be the natural course to take, and what it seems to me was the proper course.

1831. You say that the Committee sat for 53 days, I understand?—It was in session for 53 days.

1832. During which time you devoted yourself very closely to the work of that Committee?—That is so.

1833. You not only gave all your time and attention and your energies in every way, but you spent several hundred pounds of your own money in making experiments?—That is so.

1834. For which you have never been recouped?—For which I have never been recouped.

1835. It strikes me that that was rather an unreasonable and unbusinesslike position for you to occupy with regard to the Board; however, as adviser it would be your duty to suggest fugitive ink printing as the only means by which the requirements of the Board could be met?—It was not a question at all of whether the stamps should be printed in fugitive ink or whether they should not be printed in fugitive ink; one of the canons that were laid down for the Committee was that the stamps should be printed in fugitive ink. It was only for the Committee, as I understand, to produce to the satisfaction of the Postmaster General a series of stamps which should not only possess all the characteristics of the stamps which were then in use, but should at the same time be so unlike one another in design that they could not possibly be confused one with the other.

1836. I understood you to say that the fugitive ink was the only test that could be adopted with a view to meeting the requirements of the Post Office?—Yes.

1837. As an expert it was therefore your duty to recommend that fugitive ink be used?—I never recommended anything.

1838. To put it before the Committee, at all events?—The question did not come before me in that shape at all. I attended the Committee with the full understanding that the stamps were to be printed in fugitive ink, as they always had been.

1839. Had they always been so?—Yes; it was not a new thing at all. Perhaps I may explain the state of things by referring again to the specimens of stamps I have handed in. These stamps were in use at the time the Committee were appointed, and these stamps were the stamps selected by the Committee. The properties of both sets of stamps were absolutely identical; there is no difference between the two sets in that respect only a difference in design.

1840. They were both printed in doubly-fugitive ink, were they?—Yes; both doubly-fugitive ink. The question of whether they were to be printed in doubly-

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doubly fugitive ink, as far as I recollect, I had nothing to do with, and I do not think the Committee went into the matter. It was established that the properties of the old stamps were to be adhered to, as I understood, and that there was only to be a change in design.

1841. Can you say how it came about that fugitive ink was adopted?—Do you mean originally?

1842. Yes, originally?—That is going back into ancient history; you ask me to tell you what took place nearly 40 years ago, and I really cannot tell you; we have been making these stamps in fugitive ink since 1851, and I cannot go back to that date.

1843. The secret of printing in fugitive ink, I understand, is altogether yours, is it not?—We believe so.

1844. It does not belong to anybody else?—We believe it is our own.

1845. Do you think it possible that the requirements of the Post Office might have been met by any other means than by printing in fugitive ink?—I do not think so.

1846. As I understand, between you and Sir Charles Herries certain concessions were made with regard to these contracts?—Yes.

1847. Have you any reason to doubt that larger concessions might have been made if the matter had been subjected to open competition?—I have every reason to doubt that a better contract could have been made. I do not think that better terms could have been made if you take into consideration all the circumstances of the case.

1848. One would imagine that when certain concessions were obtained between you and Sir Charles Herries without competition, it is very likely that better terms might have been obtained if there had been open competition, do not you think so?—I think not.

1849. With regard to Mr. Purcell's figures in calculating as to profit, I think you threw out the suggestion that 15 per cent. of the gross profit would not have been a fair net profit?—No; pardon me, what I said, and what I repeat, is this, that it is simply ridiculous to suppose that in a business such as ours the difference between net profit and gross profit is only 15 per cent.

1850. As far as I can understand Mr. Purcell's figures, he did not give us any such figures at all as you are suggesting?—That was my understanding of what he said.

1851. My understanding of his figures is this, that upon the cost of materials he added 15 per cent. for wear and tear, as it were?—I think not. If you wish to ask me any question with regard to Mr. Purcell's statement, would you kindly read the paragraph to which you refer.

1852. At Question 1594 the Chairman asks, "Would you just repeat that to me again; as I understand you estimate the cost of production, and then you add 15 per cent. for the profit; but how do you estimate the cost of production previous to that addition?—(A.) In this way, I first took the cost of material, I then took the cost of labour, to that total I added an allowance of 15 per cent. to cover fixed expenses and renewal of plates, &c."?—You will observe that that has nothing to do with wear and tear.

1853. He speaks of an allowance of 15 per cent. to cover fixed expenses and renewal of plates; that renewal of plates would be wear and tear to a certain extent, would it not?—Yes; I see what you mean.

1854. Mr. Purcell's calculation was 15 per cent. added to the cost of materials to cover fixed expenses and renewal of plates, and to that 15 per cent. he added another 15 per cent. for profit?—Yes.

1855. That would not, of course, show that the 15 per cent. profit bore any such proportion as 15 per cent. to the gross profit?—I have not discussed in any sense the question of profit as far as I remember. All I contended was that in making the allowance which Mr. Purcell did make, of 15 per cent. for establishment and working expenses, he was entirely out of his reckoning, because, as I have indicated, the difference between the net and the gross profit is very different from that in such a business as ours.

1856. As I understand, you correct Mr. Purcell's figures to this extent, that 15 per cent. is not sufficient for the fixed expenses and renewal of plates, &c.?—Certainly.

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1857. That is the point you impugn his figures upon?—Yes.

1858. I think you praised Sir Algernon West's, or Mr. Robinson's acumen very much in describing how they discovered, from your income-tax return, that you lost money on the penny stamps?—Yes.

1859. How could they arrive at such a conclusion as that from your income-tax return?—I consider it is not a very difficult thing to arrive at.

1860. How would they arrive at it?—Perhaps you will kindly ask them how they arrived at it. I think it would be a simple calculation.

1861. You said that on the penny stamp Sir Charles Herries saved 9,000 *l.* per annum?—Yes; I have taken that figure from his own statement.

1862. At the same time, I understand you to say that for the year 1880 you received for the penny stamps 10,141 *l.*?—Yes.

1863. How could he save 9,000 *l.* on 10,141 *l.*?—I suppose Messrs. Perkins and Bacon's price for the stamps would have been 19,000 *l.*; I suppose that is it; I do not know.

1864. You have no idea why the formal contract for the penny stamp was delayed, as I understand?—None at all; it is not within my knowledge.

MR. JOHN S. PURCELL, C.B., re-called; further Examined.

1865. *Chairman.*] I UNDERSTAND you wish to make some explanation to the Committee in regard to your evidence on the last occasion?—Yes; if the Committee will kindly turn to Question 1545, I should like to point out that in that portion of my evidence I was not referring at all to post cards, wrappers, and envelopes; when I spoke I was referring only to the new adhesive stamp. At Question 1547 you will see this: "They wanted the contract extended without making any offer to reduce prices?—(A.) Yes. Mr. Mowbray.] Was the application to renew the whole contract?—(A.) Yes; all the contracts, both Indian and English." That was referring to the contracts for the adhesive stamps. I should explain to the Committee that there is more than one contract for stamps for India. I was not referring in that evidence to the contracts for post-cards, wrappers, and envelopes, but to the contracts for adhesive stamps and for stamped papers. Then I should like to say this upon a point in Mr. De La Rue's evidence with reference to my statement as to what I based my calculations of price upon. He seemed rather to think that I had based my calculations upon information which he had given me confidentially. I should like to explain to the Committee that long before I had received that confidential letter I had made all these calculations, and his letter did not help me in the least. That can be verified by reference to the Director General of Stores. In fact, the reason why we entered into negotiations with Messrs. De La Rue & Co., asking them whether if the contract for stamped papers were extended they would give a reduction of price, was because I had told Mr. Godley and Mr. Jopp, that upon my calculations they would obtain much better prices if they went to competition.

1866. Then the Committee may take it that your calculations were not based in any way upon that confidential communication from Mr. De La Rue?—In no shape or form.

MR. FREDERIC LACY ROBINSON, re-called; further Examined.

1867. *Chairman.*] I BELIEVE you have a Paper to hand in to the Committee?—Yes, this is a Minute signed by Sir Charles Herries, dated 11th July 1879, directing the Solicitor for the Inland Revenue to prepare a contract; and there are other matters in it in connection with the contract.

1868. Will you hand it in?—Yes. (*The same was handed in.*) I may say that no contract was prepared at the time; it was not at that time a matter of urgent necessity, because the delivery of stamps was not to take effect till the 1st of October. About that time of year, as you are aware, we have a great deal of Parliamentary business on hand. This was not an urgent matter, and there were various other matters which were then the subject of discussion between

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Mr. ROBINSON.

[*Continued.*]

between the General Post Office and the Inland Revenue as regards other stamps which rendered it necessary to hold back.

1869. Mr. *Raikes.*] Would you hand in at the next meeting of the Committee the Report of the Controller upon that offer made in November 1886 by Mr. De La Rue to which he has referred so frequently in his evidence to-day?—I have never seen that Report myself, but I will ask Sir Algernon West for it.

1870. Mr. *Henniker Heaton.*] As I understand, you have not any more correspondence to put in about the contract as to inferior postal matters; the non-competitive contract, as it has been called?—I do not think I can better answer that question than by referring to the letters of the 30th of January and the 5th of February 1880, the former of which I may describe as the “pistol” letter.

Friday, 4th May 1888.

MEMBERS PRESENT :

Mr. Preston Bruce.
Mr. Brunner.
Mr. Richard Chamberlain.
Mr. Dixon-Hartland.
Mr. John Ellis.
Mr. Henniker Heaton.
Mr. Heneage.

Mr. Jackson.
Mr. Mowbray.
Mr. J. F. X. O'Brien.
Mr. David Plunket.
Mr. Raikes.
Mr. Stansfeld.

The RIGHT HONOURABLE JAMES STANSFELD, IN THE CHAIR.

SIR STEVENSON ARTHUR BLACKWOOD, K.C.B., re-called ; and
further Examined.

1871. *Chairman.*] I BELIEVE that you have some documents which you promised to furnish the Committee with. What documents have you to put in?—I was asked for the amount of the salaries and wages of the total staff of the Post Office, including all ranks year by year for 1881-82 to 1888-89. I am prepared to give those figures.

1872. You have that return with you; will you hand it in?—Yes (*handing in the return*). You also asked me if it was possible to give the several items of increase under distinctive heads, attributable to the general revision carried out in Mr. Fawcett's time, namely, 1881-82. As I have said the mean cost of the revision was 320,000 *l.* a year. Since then the number of established officers whom the scales then introduced affect has increased in the case of the indoor staff from about 10,650 to about 16,000, or about 50 per cent.; and of outdoor staff from about 7,300 to about 11,300, or about 54 per cent. There has not, however, been such an increase in the total number of persons employed, because in a very large number of cases, as the amount and importance of the duties have increased, established officers have been substituted for unestablished officers. Then one of the honourable Members asked for information with regard to the amount of overtime or extra hands during the past year. I said it would cost a very great deal, and take a great deal of time to obtain the figures for the whole kingdom, but it may suffice, perhaps, if I mention that I have obtained returns from 13 of the largest provincial offices, and I find that the total number of staff at those offices amongst whom the extra duty was distributed was 4·917, that gives an average of about 93 hours per officer, or about 20 minutes a day. The cost of overtime amounted to 15,334 *l.* A great deal of the overtime was of course performed during the Christmas season. I was asked also to give some information with regard to the length of hours over which the ordinary attendance in the several departments of the Post Office extends. In the chief administrative offices, such as the Secretary's Office, the Accountant General's Office, and the Money Order Office, the ordinary hours of attendance are from 10 a.m. to 4 p.m., though a great many clerks habitually work longer hours without any payment for overtime, the rule being that clerks shall not go till their day's work is finished. The length of the attendance of the manipulative staff ranges from seven to nine hours, varying according to the period of the 24 hours during which it has to be given. Sorting clerks and telegraphists are expected to work during the day time for eight hours on week-days, and except in London, for an average of two hours on Sunday where necessary. If this work has to be done during the night seven hours' attendance reckon as eight. Some post-men

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Sir S. A. BLACKWOOD, K.C.B.

[Continued.]

men work about eight hours a day, and rural postmen about the same time, although their work is regulated more by the distance to be walked than by the total time occupied. Telegraph messengers give an attendance of about nine hours per week-day with short intervals, one for dinner, and another for tea, though they can scarcely be said to be at work all the time as they wait for messages to take out. Linemen (that is men who work at keeping the telegraph lines in repair), work 10 hours a day. The only other return which I have been asked to furnish is with respect to the weights of correspondence for the United States, including "transit letters," &c., and for Australia *via* Suez, and to and from India. I will hand in that return (*handing in the same*). That is all the information I was asked to obtain.

1873. That is all the statement you wish to make with regard to your former evidence?—Yes.

1874. Mr. *Brunner*.] Can you give us any idea of what proportion of the total number of employes are employed from the hours of 10 to 4?—I can give you the exact number from the Estimates. I have said that they belong to the administrative offices at head-quarters and the clerical staff at large provincial offices.

1875. It would be a very small proportion of the total, I presume?—Yes, a small proportion of the total staff of the Post Office, certainly.

1876. Mr. *John Ellis*.] With respect to the sum of 320,000 *l.* that you mentioned this morning, that I understand was the amount of increase at the time in proportion of the employes then on the staff?—Yes, at the mean of the scales.

1877. In proportion to the increase of the number of employes so that sum would rise?—Yes.

1878. But it would be incorrect to assume that the whole of the increase which has arisen since 1881 is due to the changes then introduced by Mr. Fawcett?—Yes. It is not wholly due to the changes introduced, because it is also to a certain extent due to changes of business and administration, increases of force not contemplated at that time.

1879. I wish to make this perfectly clear, because it is a very important point and may be gone into hereafter no doubt; may I therefore call your attention to Question 229; I understand from that question, and from the subsequent reply, that you say that there have been other changes in the scale proposed by the Post Office and sanctioned by the Treasury since Mr. Fawcett's time, entirely apart from Mr. Fawcett?—Yes, there have.

1880. *Chairman*.] Then there is this fact to be considered, is there not, that you have stated to-day that there has been since that time a proportionate increase of the established staff over the unestablished staff?—Yes.

1881. Mr. *Brunner*.] Are you able to tell us more definitely whether, with regard to Mr. Fawcett's scheme, we have yet arrived at the mean of the scales?—I have not made further inquiries on that point.

1882. Mr. *J. F. X. O'Brien*.] With regard to the list of employes you gave us last week, I took down at the time the figures for the year 1885-86, which gave the total number as 95,553, and for the year 1886-87, the total number was 96,287, while for the year 1887-88 the total number was 101,961, showing a very great and almost abnormal increase in the numbers in that last year, 1887-88?—101,961 is the total; that is an increase of 5,000 over the year before.

1883. Whereas the year before showed an increase of only 700 over the year 1885-86?—Yes; and the year before that showed an increase of 4,000 over the year before that, that is 1884-85, when the total was 91,184.

1884. Is there anything to explain the abnormal increase in the year 1887-88, as compared with the previous years, for instance?—It does not seem to be an abnormal increase; if the honourable Member will look at the whole series of years he will see that the gross increase has been sometimes 4,000, sometimes 5,000, and sometimes even 6,000. Therefore the increase in the last year over 1886-87 would appear to be at about the same rate, namely 5,000.

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1885. I was

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Sir S. A. BLACKWOOD, K.C.B.

[Continued.]

1885. I was not able to take down the figures for the other years, but only for the three years I have quoted, consequently when I compared the total for the last year, it appears to be an enormous increase; you do not consider it abnormal, I understand?—No; it seems to be about the average.

1886. What is the meaning of the manipulative staff?—The manipulative staff consists of those who sort and deliver the letters, and who send the telegraph messages.

1887. Who do the hand-work, in fact?—Yes.

1888. Mr. *Preston Bruce*.] I wish to ask one question with regard to the increase in the cost of the staff due to the changes introduced by Mr. Fawcett; I understand that the figure of 320,000 £. which you have given, is an estimate. Can you give us the actual figure of the increase in cost of staff at the present moment due to the changes introduced by Mr. Fawcett?—I think I said the other day that it would be difficult to give it accurately, inasmuch as the matter has undergone so many alterations since those years, but no doubt I can give the cost at the present time of the alteration as it effected the then staff, that is to say, the staff at the time the alterations were introduced. That is a mere matter of calculation, and that I could give.

1889. I understand you cannot tell us at this moment what the figure is?—No.

1890. Is it more than 320,000 £., or less than 320,000 £.?—If I could answer the honourable Member's question as to whether we have arrived at the mean of the scale or not, it would enable me to answer the question which the honourable Member has just asked me. If we are at the mean of the scale, it is 320,000 £.; but I have not made any inquiries since as to whether we have actually reached that point yet. I said that I thought it was probable we had, but I was not absolutely certain.

MR. FREDERIC LACY ROBINSON, re-called; and further
Examined.

1891. *Chairman*.] I BELIEVE you have some Papers to put in?—Yes, the Report by the Controller of Stamps and Stores on the letter of the 11th November 1886 from Messrs. De La Rue was asked for the other day. I have that Report, and I beg to put it in. On it there is a minute saying that the "chairman had an interview with Mr. De La Rue in Mr. Purcell's room on the 25th instant, and explained to him that so far as the contracts were concerned he could not under any circumstances entertain his application" for a renewal of the contract.

1892. Mr. *Raikes*.] Is that a minute by the chairman only, or by the Board?—It is not a minute strictly, it is a memorandum made on the original Paper which I have here by the chairman's private secretary as to the result. This is the continuation of the 11th of November Paper.

1893. *Chairman*.] Have you any other document?—Yes. As the relation of the Board of Inland Revenue to the India Office had been referred to, I beg to hand in a letter of the 3rd of June 1886 from the Under Secretary of State for India requesting the Board of Inland Revenue to undertake, as agents for the Secretary of State in Council, the control and superintendence of all contracts between the Secretary of State and Messrs. De La Rue; that shows the date when the Board's intervention in these matters commenced.

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MR. WARREN WILLIAM DE LA RUE, re-called ;
and further Examined.

1894. *Chairman.*] I BELIEVE you wish to make two corrections or additions to your evidence?—I promised the honourable Member (Mr. Brunner) to clear up the question about the time of the first delivery of the penny stamps. I wish to correct the date I gave on the last occasion. The questions relating to the point begin at Question No. 1748. I am speaking of the delivery of the penny postage stamps under our tender of the 17th May 1879. In the specification which was handed to us, upon which to base our tender, it was stated that the first supply of stamps should be delivered on the 1st of October. In the Board's circular letter to the various competitors of the 8th of April 1879, the time for delivering the tender was extended from the 3rd of May to the 17th of May, thus an extension was given of 14 days. Our tender was delivered as I have said on the 17th of May. Now I think its quite reasonable to say that when the Board fixed the date for the first supply of stamps they had an idea that they would be able to determine whose tender should be accepted within 14 days of the tenders being sent in, but as a fact an interval of six weeks took place between the delivery of our tender and the acceptance of it. I claim therefore an extended time of four weeks on that account for the delivery of stamps, and I have shown that after the date was fixed for delivery of the 1st October, the date for sending in the tender was extended by 14 days; consequently I say that the delivery of the stamps by the Board's own letters was practically extended by six weeks. I think you will find that that would carry us to the 12th November, when the stamps were practically due; I am sure the Board took very much that view, because in writing to us, accepting our tender on the 27th of June, they say that they would be glad to get the stamps as soon as possible. They felt that by their own act the date of the 1st October had been moved on. Now we actually delivered the stamps on the 21st of November, which was, from my point of view, only nine days behind the time at which they were due. I made a mistake in my statement on the last occasion. I should have said that it was the 21st of November that the stamps were delivered; and I think that, considering the whole circumstances of the case, we in effect worked up to time. That is all I have to say upon that head. I have been told by my friends that my explanation of my position with regard to the Treasury appointment which I hold may have misled the Committee somewhat. I think I was wrong in using the word "honorary." I meant to say that I received no permanent salary, nor any retaining fee from the Department; that I was simply paid for the work I did, just as consulting engineers are paid for the work they do when they are called in to advise any public department or any private company. During my long examination I got somewhat tired, and must plead this as an excuse for my mistakes. I confused my expenses with the expenses of my firm in carrying out experiments after the stamp scheme was finally approved by the then Postmaster-General. My expenses, I ought to have said, came to several hundred pounds, and up to now I have not put forward any account to the Board for settlement in regard to my expenses on that work and in regard to my own time. Now I come to my final correction, it relates to our letter to Sir Algernon West of the 11th of November 1886. I think, perhaps, I may have conveyed to the Committee the idea that we asked for an extension of our adhesive stamp contracts on precisely the same terms as those which are expressed in the contracts. In the contracts there was no provision whatever for printing stamps in two colours; and, of course, in writing that letter to Sir Algernon West, we wished to include an application to be paid the increased expense of printing the stamps in two colours. I have stuck on this sheet of paper the duties concerned as they were printed in one colour in the issue of April 1884, and as they are printed in two colours in the issue of 1887 (*handing a sheet of paper to the Committee*). The difference in cost to the State for that work is practically 3,000*l.* per annum, 0.76. U that

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Mr. DE LA RUE.

[Continued.]

that is to say, the stamps, if they had been printed in one colour as formerly, would cost 1,300 *l.* per annum; whereas, they now cost 4,500 *l.* per annum. I should like to show the Committee the way in which they are printed. This is the size of the sheet that the old form of the stamps was printed in, and that is the size of the sheet that the new stamps are printed in (*producing two sheets*) One is half the size of the other. I may mention, besides, that the old stamps bear one impression, and the new stamps bear two impressions; in other words, the number of impressions on this sheet of new stamps, if it were double, would be four; whereas the number of impressions on this sheet is one. Then, besides that, the difficulty of printing the two-colour stamp is infinitely greater than printing the single-colour stamp; and so great is the difficulty that we find it impossible to print it in larger sized sheets than this. Every day that we have to do work we regret that the two-colour stamps have had to be introduced.

1895. Then is there any other point which you wish to refer to?—I mentioned to the Committee that the representative value of the stamps that we turn out for the State was from 11 to 12 million pounds. I think that was the figure I gave. I have had a careful estimate made of the actual value, and I find it reaches fully 18 million pounds per annum; I think if Sir Algernon West had had all the considerations before him he would have taken a different view of our letter of the 11th November to that which he did.

1896. Mr. *Henniker-Heaton*.] As I understand, you supply the Government with eighteen million pounds worth in value of stamps?—We supply the whole of the Departments of the State with stamps which have a representative value of 18,000,000 *l.*, and we are personally responsible under bond for every penny of that representative value.

1897. Of course you will understand that we think that the stamp contract is a fair one; and no Member of the Committee has taken an exception to your charges. I am very interested to have that figure of eighteen millions?—I do not mean to say that the adhesive stamps amount to that; that is the sum for the whole of the adhesive stamps, and the stamped paper for India, and post cards, and so on.

1898. Including India?—Yes, including everything we manufacture for Her Majesty's Government in the way of duty paper of all sorts. I will not pledge myself to a few thousand pounds; but that is as near as I can give the total representative value.

1899. You manufacture eighteen million pounds worth, and you receive 100,000 *l.* for doing that work; is that so?—I have not got the figures here, and cannot remember. I have a very bad memory for figures.

1900. You estimate the amount of representative value of stamps you manufacture at 18,000,000 *l.*; will you tell us how that is made up?—I find that taking all sorts of adhesive stamps which we manufacture for use in England, and the English post cards, wrappers and postage envelopes, they have a representative value of about 13½ millions per annum; I find that adding the Indian stamps and stamped paper, and other stamped articles, and also the Colonial stamps that we manufacture, the representative value per annum is brought up to 18,000,000 *l.*

1901. Do you manufacture for any countries besides India?—For all the Colonies.

1902. And for India?—Yes, and I should say that we have supplied a great many foreign Governments with stamps, and that in the case of Italy we actually established for the Italian Government a stamp factory at Turin some 20 years ago, and that all the work done there is done very much under our direction and with our aid.

1903. I daresay you are aware that there are large Government printing offices in New South Wales?—Yes, we supply the plates, and dies, and paper, and many materials to most of the Colonies.

1904. For New South Wales and Victoria?—Yes, certainly, for those two Colonies.

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MR. DE LA RUE.

[Continued.]

Colonies. I believe I am right in saying that there is no Colony who do not now, or have not formerly, come to us for certain of their supplies in regard to stamp work.

MR. H. BUXTON FORMAN, called in; and Examined.

1905. Mr. *Raikes*.] You are a principal clerk in the General Post Office, I believe?—Yes.

1906. You were employed in the course of last year in conducting the negotiations abroad, were you not, with the French and Italian Governments with regard to the transit dues?—Yes.

1907. I do not suppose that the Committee would wish to press for any very detailed information upon those points, having regard to the delicacy of those negotiations and the necessity that may arise for their being taken up again on a future occasion; but I would ask you if you could in general terms indicate to the Committee the object of those negotiations and the results at which you arrived. Before you do so I would ask were you accompanied on any part of your mission by the Agents General of the Australian Colonies?—I was, as far as Paris, where they remained for, I think, 10 days with me.

1908. And they took part in the negotiations there?—Verbally, the negotiations were entirely conducted by myself, but the Agents General were present during two or three interviews (I think two) with M. Coulon, the Director General of the French Post Office; and I constantly translated to them and occasionally translated for them, putting forward certain observations of theirs, and translating for them certain observations of M. Coulon from French into English.

1909. After that they were satisfied to leave themselves in your hands, were they?—Yes. We arrived in Paris at a basis of negotiation merely, and having reached that basis everything depended, for resuming the negotiations and going back on that basis, upon what I might be able to arrange at Rome, and they left me to go to Rome by myself.

1910. Could you tell the Committee in general terms the object of your mission and the result at which you arrived?—The object of the mission was mainly to secure if possible a reduction of about one-third in the price of the transit paid to France and Italy for the conveyance of letters and post cards; and also to recover certain liberties which the Post Office had been obliged to forego at previous negotiations in order then to tempt the French and Italian Post Offices to make a reduction in the price of a former year.

1911. You refer, of course, to the transit from Calais to Brindisi?—Yes. The result of the negotiations, in a few words, was that I obtained a reduction of about one-third in the price paid for letters and post cards, and also some reduction in the price paid for other articles; and that I did recover the liberty which we had foregone. Perhaps I ought to explain what the liberty was, and why it was foregone. It arose in this way: In 1880 we abandoned the Southampton route for the mails to and from the East, and in order to tempt the French and Italian Post Offices to accept a lower transit rate for the whole of the mails, which we then proposed to send to Australia, India, China, &c., by way of Brindisi, we had to undertake that they should get the whole of the mails, with the exceptions of those letters addressed by private ships, which always go by the ships they are addressed by. That precluded us from making, at any time, a special rate for letters to any of our Colonies or Possessions sent long distances by sea; and from that time till last year we were not in a position (and we never required to be) to send any letters at a distinctive tariff for long distances by sea. That liberty the French and Italians were content to restore to us as part of the result of last year's negotiations; so that we are now in a position again to send letters to all parts of the East by the long sea route at a lower tariff than that which we charge to the public for letters going by way of Brindisi.

1912. I may take it, it was part of your instructions not merely to obtain reduction upon the Continental rate, but to recover for this country the right to send correspondence to Australia and the East direct at such rates as might be agreed upon between us and our Colonies and Dependencies, without any

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Mr. FORMAN.

[Continued.]

reference to the rates made necessary by the Continental charges?—Yes, that was so.

1913. So that at the present time the department is in a position to negotiate and arrange with those Colonies and Dependencies for such rates of inter-communication as may mutually be agreed upon?—Yes.

1914. That was not the case before your mission?—It was not; it would have been a breach of our agreement with France and Italy.

1915. Those negotiations were in July or August last year, were they not?—In July.

1916. Mr. *Henniker-Heaton*.] I think that that arrangement with France and Italy for the sending of mails commenced in 1880?—In 1880.

1917. Will you state to the Committee the charge made by the French and Italian Governments for conveying each letter to Australia and the East?—I can tell you the charges per kilog.

1918. I mean under the agreement you upset?—In 1880 we paid France 10 frs. and Italy 6 frs. 50 cts.; in all, 16 frs. 50 cts. per kilog. for letters and post-cards.

1919. I think the kilog. is about 2½ lbs., is it not?—It is a little over 2 lbs.

1920. And for newspapers what did you pay?—For newspapers and other matter we paid 50 cts. to France and 37½ cts. to Italy; that is to say, 87½ cts. in all.

1921. Did you make a calculation of the total cost of the conveyance of those mails in 1880, or 1886, or 1887, paid to the Government?—Yes, it was estimated on each occasion.

1922. How did you arrive at the weight of mails sent over?—We record the whole weight of every mail sent by the Brindisi route.

1923. You weigh every bag of letters, do you?—The contents are weighed before they are put in the bags.

1924. And you do so now?—Certainly.

1925. You have given us the charge then; what is the present charge?—The present charge is 6 fr. per kilog. to France and 4 fr. 80 cts. per kilog. to Italy, making a total of 10 frs. 80 cts. for letters and post-cards.

1926. Mr. *Raikes*.] As against 16 frs. 50 cts.?—Yes.

1927. Mr. *Henniker-Heaton*.] And what is the charge for other articles?—We pay for other articles 40 cts. per kilog. to France and 32½ cts. per kilog. to Italy, making a total of 72½ cts. as against 87½ cts. formerly.

1928. This action, on your part, will make a difference of 20,000*l.* a year, will it not?—It is estimated roughly at 20,000*l.* a year on the 1886 figures.

1929. Merely for historical purposes, I should like to ask did the Agents General strengthen your hands in any way in arriving at a basis of negotiation?—I think they did.

1930. Could this agreement have been terminated at any time between 1880 and 1886?—Yes; technically it could have been terminated at a day's notice by either party, but practically it never would have been done; they would have given decent notice on either side.

1931. The payments by France and Italy, according to the Return furnished by the Postmaster General to the House of Commons, rose from 67,600*l.* to 100,000*l.* in those seven years. During those years, when that enormous increase in payment took place, did you enter into any negotiations with the foreign post offices, I mean France and Italy, to get a reduction?—Yes.

1932. You always had the matter before you?—Yes, we never let it sleep.

1933. Now you are able to send any quantity of letters round by sea, you are not bound to send everything from Calais to Brindisi?—We are not bound to send anything, but we are bound to pay a certain sum to France and Italy.

1934. There is a minimum fixed, is there?—Yes, there is a minimum fixed.

1935. What

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Mr. FORMAN.

[Continued.]

1935. What is the minimum?—The minimum to France is 30,000 £., and the minimum to Italy is 25,000 £.

1936. That is less than you paid eight years ago?—Yes.

1937. That is for the Indian and Australian mail once a week to Brindisi, and the mail once a week from Brindisi?—That is so.

1938. Did you go to Lisbon three years ago and attend the conference there?—I did.

1939. Were the Australian Governments represented at that conference?—Yes, some of them, not all. I represented some of them.

1940. What was the reason why they were not represented or were not allowed a voice?—They were allowed a voice. I am not sure whether I quite understand your question.

1941. There was some hitch about voting, I understand; will you explain why they could not vote?—They could not vote because they were not in the Postal Union.

1942. Mr. *Brunner*.] Do the charges you have mentioned include taking the mails from the quay at Calais and putting them on board the boat at Brindisi?—No; we pay the porters at Calais.

1943. Will you kindly say what this payment does include?—It covers the conveyance by special train the whole way from Calais to Brindisi and from Brindisi to Calais.

1944. The cost of taking the letters from the steamer to train and from the train to the steamer is your cost?—Yes, at Calais.

1945. Do you keep officials at Calais and officials at Brindisi?—No.

1946. To whom do you make the payment?—To the porters. The porters are a body with some sort of monopoly at Calais, and we have to make our own negotiations with the syndic of porters.

1947. So that you have an expense over and above the figures you have given?—Certainly, in connection with the handling of these bags at Calais.

1948. Is that in your opinion so considerable a sum to make it worth while that you should state it to the Committee, or is it so small as not to be worth mentioning?—I could not tell it you to-day. I could obtain it for the Committee.

1949. Would you think it advisable that an attempt should be made to arrange with the French and Italian Governments to pay that sum on your account, so as to have a clear agreement between you?—No, not on our account. I do not see any advantage.

1950. Perhaps you do not understand my question. I mean so as to have an inclusive payment?—I tried to get that, of course, when I was in Paris last year.

1951. And in future you would doubtless bear that in mind?—Certainly; I gave it up for other advantages on this occasion merely.

1952. Mr. *Raihes*.] As the question of porters was mentioned I will just ask you this: the mails are accompanied by an officer of the Post Office, are they not?—Yes.

1953. He makes the arrangements and superintends the conveyance by the porters at each end, to and from the steamers?—He superintends; but very often there are two gangs of porters at work at once, and there is a great deal of responsibility, and he has to be assisted.

1954. Mr. *Henniker Heaton*.] As to this point of weighing the mails, is it possible to arrive at a fair calculation, or rough notion of the weight of letters and newspapers, and so on, that are sent to places on the Continent, in the same way as you do for the Indian mails?—Not in the same method.

1955. Could you arrive at some notion of what it would be?—That is a question that came into Sir Arthur Blackwood's evidence.

1956. He is trying to work it out for us, and to arrive at a calculation of the number of letters and newspapers sent every night to the Continent. He thinks that a rough calculation can be made; do you agree in that?—I think so too.

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MR. CHARLES HENRY BENNETT PATEY, C.B., is called in;
and Examined.

1957. *Chairman.*] You are Third Secretary to the Post Office?—Yes.

1958. And you are in charge of the Telegraph Department?—Yes.

1959. Will you take the Telegraphs Estimate and explain to us the various sums of expenditure, first of all comparing this year of expenditure with the year before?—The Estimate for Telegraphs for this year amounts to 2,036,836 *l.*, showing an increase over the Estimate of last year of 86,588 *l.* There is an increase of 107,088 *l.* under 11 Sub-heads, and a decrease of 20,500 *l.* under two sub-heads; one Sub-head “Stores” remaining at the same figure as last year. It may be stated generally that this increase is due to the expansion of business. The largest item of increase in the Sub-heads E., F. and G., is for increase of staff, and alteration of establishments at various offices in regard to dealing with the additional business under the sixpenny tariff. The item also includes the increased amount payable to staff on account of increments of salaries and wages; and on this point, as has been observed, the mean of the improved scales granted some years ago has not yet been reached. The other large items of increase are those for engineers’ expenses in Sub-head C., on account of the larger plant to be maintained, and for increased payment to railway companies on account of the larger business transacted at the various stations throughout the country, under Sub-head D. There is a decrease of 20,000 *l.* in Sub-head N., which is due to the fluctuation in provision for the purchase of sites and buildings.

1960. On that Sub-head there is a saving of 20,000 *l.*?—Yes.

1961. If I follow you rightly there is nothing in these increases which is not purely normal and almost automatic in its character?—I think there is nothing.

1961*. Have you before you one or two Papers which have been put before us showing the proportionate increase of various items of expenditure of the various departments in the Post Office for a succession of years?—Yes; I have Table No. 2, headed Post Office Telegraphs.

1962. Will you take that Table and give us any explanations upon the increase of expenditure which you may think advisable. Will you compare the growth of the gross revenue with the growth of salaries and wages; taking the whole series of years first. I will draw your attention to this fact. I note that the percentage of salaries and wages to the gross revenue was, in 1879-80, 47·46. In the next year it dropped to 44·65; then it rises to 47·80; and then 48·40; then it rose to 50·86; and in 1884-85 it sprang to 53·52, and so it goes on to the year 1888-89, when the estimated percentage is 64·76. That is a very large increase in the proportion of salaries and wages to gross revenue. Will you give us what explanation you think is to the point upon this subject. Perhaps you will tell us first what is the date of the commencement of the sixpenny tariff for telegrams?—The 1st October 1885. The increase in salaries and wages shown by the Table to which you have just referred is due in great measure to alteration and improvement in the scales of pay of telegraphists under what is known by the name of the Fawcett Scheme. The Secretary of the Post Office has already given the amount at the mean of the scales at the date when these new scales were brought into operation. Since that time the number of telegrams has largely increased, and especially has it increased largely since the new tariff came into operation on the 1st of October 1885. Consequentially, up to the end of the financial year 1884-85 there had been a continual increase, though not a very large one, in the number of employes at the Post Office. But from the beginning of the financial year 1885-86 it was necessary to bring in extra officers in preparation for the introduction of the sixpenny rate; and since that time the force has been very largely increased. The additional cost, therefore, of the salaries and wages is really, as has already been explained, following automatically the increase given under the Fawcett Scheme. I find between the Estimate of last year and the Estimate for this year, there is an increase of 73,000 *l.*, and of that increase no less than 35,200 *l.* is due simply to the increments accruing to the telegraphists and others for the year.

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[*Continued.*]

1963. Is that all that you wish to say with respect to those proportions?—Yes.

1964. Now, if you will carry your eye along this paper to the right, the next considerable proportion which I find is the proportion of maintenance to gross revenue; and that has remained during the whole of this period of 10 years almost stationary?—Yes. Naturally, as telegraph business has increased, it has been necessary to add to the mileage of wires. The amount, therefore, shown as expenditure on account of maintenance is due to the larger sum which it has been necessary to spend year by year in maintaining the larger system; and when you come to the financial year, beginning 1885–86, where there is a considerable jump in expenditure, that is due to the cost of maintenance of the additional wires erected for the purpose of dealing with the new traffic. But as you have pointed out, great care has been taken to keep the maintenance, so far as possible, at a normal figure; and I think the Table shows that we have succeeded, and that the maintenance at the present time, taken either by mileage of wire or the number of instruments, is less than it was a few years since.

1965. I do not quite see why the immediate consequence of an increase of mileage should be a decided increase in the proportion of the cost of maintenance to gross revenue followed by a subsequent decrease?—It is only in one instance (that is in the year 1886–87) that there is an abnormal increase, and the explanation of that is the snowstorm at the beginning of that year. That was really an abnormal cost.

1966. Then those figures strike me, on the first blush, as decidedly favourable; because the proportion of maintenance to gross revenue remains almost stationary; whereas one hardly expects the gross revenue to increase in exact proportion to the extension of the lines?—Quite so.

1967. You would say therefore I suppose that this feature of a steady, almost uniform proportion, is due to a careful administration of that part of your expenditure?—I think it is due absolutely to that.

1968. Then, coming to the head of Telegraph Works Extension, there of course the proportion of expenditure varies very much, and must depend upon the extensions which are undertaken from time to time. The largest proportions, I think, are in the years 1883–84 and 1884–85, if I follow it correctly?—Yes; that larger expenditure is due to the cost of the new works which were erected in anticipation of the sixpenny rate. The expenditure, which amounted in the whole to about 450,000 £., was spread over three years; 180,000 £. being spent in 1883–84, 165,000 £. being spent in the year 1884–85, and 105,000 £. in the year 1885–86. That I think accounts for the large sums spent in those years over and above the sums generally spent.

1969. Is this Table No. 2 the only one of the papers of percentages you have before you?—I have the whole series.

1970. Is there anything which you would wish to say upon the other papers concerning your department; for instance there is Paper No. 4, "Comparison of Working Expenses and Revenue;" are there any salient features in that Paper which you would like to draw our attention to?—This Paper I think is simply a summary of the previous Paper, giving it in another form, but deducting from the expenditure as shown in the Appropriation Accounts the extra receipts, the purchase of sites, and the extension of works under Sub-head O; showing the net expenditure of the Post Office without what would be called in a commercial undertaking, the capital expenditure.

1971. But containing nothing new?—Containing nothing new.

1972. Then there is Table No. 6?—That is simply a repetition of a portion of Table No. 4.

1973. With regard to Table No. 8, have you anything to say?—This is the Table which credits and also debits the Department with the services rendered by the Post Office to other Departments, and by other Departments to the Post Office. Taking the second half of the Table part of the expenditure of the Post Office is borne on Votes of the Office of Works in England and Ireland, and the rates are paid from the Treasury Vote. Then there is an amount shown as the cost to the Exchequer and Audit Department of auditing the accounts of

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[*Continued.*]

the Telegraph Service; and in addition there is the cost of stationery and printing, which is borne upon the Stationery Office Votes. This Table is intended to show the whole state of the revenue and the whole state of the expenditure of the Telegraph Service for the period of years embraced within the Table.

1974. You have, I think, have you not, produced and laid before Parliament for some years a Profit and Loss Account of the administration of the telegraphs?—Yes.

1975. Have you laid one before Parliament this year?—Yes. There are at the present time in each year three Accounts; one the Capital Account, another an Account showing the gross amount received and expended during each year, and the third, the Accumulative Account. Up to the year 1882 there was another Account, which was called the Account of the Post Office Telegraphs system, drawn up upon commercial principles. That Account has not been presented to Parliament for any period since the year ending the 31st March 1881.

1976. Why was that Account discontinued?—The Treasury did not think it well to put that Account on the Table of the House. I cannot give you the exact reason.

1977. Mr. John Ellis.] Will you give the number of the Parliamentary Paper of the various Accounts of this Session?—The Capital Account for this Session is numbered 26; the Post Office Telegraph Account is numbered 31, and the third is numbered 13.

1978. Chairman.] Are you not able to inform the Committee of the grounds on which it was determined to discontinue that Account drawn upon commercial principles?—I have no absolute definite knowledge of the reason, except that there was a question whether the Account, as previously drawn up, included the whole of the items which might properly be included in such an Account, namely, whether or not the Post Office should charge itself with any sum on account of the buildings which it partly occupied; that is to say, buildings which were in the occupation of the Post Office before the Telegraph Service was instituted, and which the Telegraph Service used jointly, by appropriating a small proportion of the public office, and by building in the top of the existing buildings rooms for the galleries in which the instruments were worked. In which cases no charge appeared in this Account for such buildings, although the Telegraph Service was charged with the additional cost of the buildings where such buildings were erected.

1979. Would it make any considerable difference if the items had been inserted with respect to these charges?—The amount would have been less than half-a-million.

1980. It would have been below half-a-million, but I understand you to mean that it would have been approximated to half a million?—I have taken that as a round figure; but it would certainly be below that.

1981. You mean, I presume, a capital amount of half-a-million?—Yes, a capital amount.

1982. Then there would be no difficulty, would there, in continuing that Account with or without those charges?—No; in fact, the Account has been continued each year, and has been forwarded to the Treasury though not presented to Parliament; and I have with me, if the Committee would like it, copies of those Accounts brought up to the present date.

1983. We should like to have them handed in?—I can supply copies. (*The same were handed in.*)

1984. It is not usual to examine upon Accounts of this kind submitted at a moment's notice; but perhaps you will give us what explanation you think desirable, especially as bearing upon the question of ultimate profit or loss?—Those Accounts were drawn up at the instance of a Committee which sat in 1876, and inquired into the telegraph business. These Accounts are drawn up to show what the effect would be of regarding the work of the Department as far as possible on a commercial basis. Taking the Account for 1886-87, which is the last, the first portion of the Account, No. 1, shows what would be the charge to Capital Account, showing the amount of capital brought forward from

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from the last Capital Account raised to the 31st of March 1887, and the further capital for the year which would have been required if all expenditure in the nature of capital had been charged to the Capital Account; giving a total of 12,091,894 *l.* On the other side of the account is shown how the amount is made up. There is, first of all, the amount paid for good-will and plant of old telegraph companies, extensions by the Post Office, preliminary expenses, &c., and charged to Telegraph Capital Account up to the 31st of March 1887, which is 10,130,820 *l.* Then the next item shows the cost of extensions charged to Telegraph Vote to some date, namely, 1,258,307 *l.* Then the next is "Cost of Buildings, &c., charged to Vote for Revenue Department Buildings to the same date, which is 319,456 *l.*; and then cost of buildings, &c., charged to Vote for Public Buildings, Ireland, to same date, which 20,944 *l.* I should explain, perhaps, that in the Capital Account which is yearly presented to Parliament, I refer to Parliamentary Paper (No. 26), the amount which is paid for telegraph undertakings is shown distinct from the other capital sums. The amount paid for telegraph undertakings was 7,808,378 *l.* The second item is the sum expended on account of the special cable extensions, and then there is a third item for telegraph extensions, which amount to no less than 2,058,205 *l.* Then there are pensions and gratuities, and also a sum for commutation of pensions, all of which are now borne on the Telegraph Vote. Since the 30th September 1873, the whole expenditure on account of extensions has been charged to the Telegraph Vote; and, as I read to the Committee just now, that sum between September 1873 and the present date amounted to 1,258,307 *l.*, which would, if the Post Office was looked upon as a commercial undertaking, most probably have been charged to Capital Account. In the same way the cost of buildings throughout the United Kingdom have also since the same date been charged on the Telegraph Vote, or on the Vote of Revenue Departments Buildings. The second table in this Account for the year 1887 shows on one side the revenue, and on the other side the working expenses. The first item on the revenue side shows the actual receipts from messages, private wires, and rentals. The second item is the value of services rendered to Government Departments without payment; that is for telegrams sent without charge, for wires used solely by Government Departments and small works, for which no rental could be charged, done from time to time; say, as for example, an instrument being removed from one room to another in a public office. Then the third item is extra receipts. Those are partly, as shown in the Appropriation Accounts, and partly amounts received from the Office of Works in England and Ireland, for materials sold, and for waste paper which is sold by the Stationery Office on account of the Department. On the other side of the account you have the cost incurred in the payment of salaries and wages, and maintenance of the telegraph system. The second item is the contribution which is made to a depreciation fund to replace submerged telegraphs and cables; and the third item shows the balance of profit which in 1887 amounted to '63 per cent. on the capital shown above, being the full amount available on commercial principles for dividend on capital or for a reserve fund.

1985. Mr. *Richard Chamberlain.*] What is the rate of depreciation?—We take the life of the cable as 20 years.

1986. Do you take it at one-twentieth?—No, not one-twentieth, it is taken at compound interest; it is put by each year. Then the third table is drawn up to show how the amounts shown in the second table are brought out. It shows first the amount charged to Telegraph Vote, as per Appropriation Accounts. We then add the amount charged to Telegraph Vote for Revenue Department Buildings; then the amount charged to Telegraph Vote for Public Buildings, Ireland; and then the amount charged to Telegraph Vote of Stationery Office; then the estimated cost of the stamps issued by the Inland Revenue, the estimated cost of auditing the Telegraph Accounts; then the amount expended by the Treasury for rates and contributions in lieu of rates. Then we deduct from that total, the cost of the telegraph extensions charged to the Telegraph Vote; the amount paid on account of the purchase of sites and buildings, and

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also the cost of replacing four cables during the year. That will be seen from the analyses of this Account for the year.

1987. *Chairman.*] Are all these Accounts drawn up on exactly the same principle?—They are all drawn up upon the same principle. The sums shown in these Accounts as available for payment of the interest on capital sum vary from 4·21 per cent. in the year 1880–81 (which is the best year, if I may so, of the Telegraph service, when even on the Parliamentary account the whole cost including interest was payable within 900 *l.*) to the present year when it left only the figure I gave just now. Taking it over the whole period it has been possible to pay an average dividend of 2·69.

1988. *Mr. Richard Chamberlain.*] Over how many years?—Over 12 years.

1989. *Mr. David Plunket.*] Taking the last three years what dividend would it have been possible to pay?—The last three years show 2·41 per cent., 1·58 per cent., and ·85 per cent.

1990. Followed by ·63, as I understand?—Yes.

1991. *Mr. Richard Chamberlain.*] These last three years were the years ending 1884, 1885, and 1886?—No. I have taken in giving you these figures rather higher figures than I took just now in speaking of the year ending the 31st of March 1887. If you refer to the third table, the note at the bottom shows “Had the payments to the railway companies in respect of their telegraph rights been commuted for a fixed capital sum calculated at 20 years’ purchase, and the payments to the officers of the late telegraph company commuted for a fixed sum calculated at 10 years’ purchase, the balance of profit would in that case have been increased, and thereby made equal to a dividend on the capital outlay of ·85 per cent. instead of the figure I gave you of ·63. There is a payment included in maintenance which we pay annually to some of the railway companies, whereas similar payments to other companies were commuted on fixed payments.

1992. *Mr. Mowbray.*] All these figures you have given us are upon the third table?—Yes.

1993. *Mr. Heneage.*] Will you explain why it is that in carrying forward the capital on the Capital Account during the first years from 1876 to 1879, you commence in 1876 with a capital raised of 9,425,837 *l.*, and then in each successive year you carry on the capital up to 1880, till it amounts to 10,140,000 *l.*, but after that, although there are extra sums charged in the Capital Account of each year, you still adhere to the figure of 10,140,000 *l.*; there is some explanation of that, no doubt, which you can give?—Yes; it is because up to the latter date which the honourable Member has just quoted, there were still payments being made out of capital actually raised by Bills that were sanctioned by Parliament, and paid over to various companies. The payments had not ceased at the date when the first account was made up in 1876. If you will look at the capital accounts I may show you what I mean.

1994. My point is this: taking for instance the first year of these Accounts, there was then a further capital required of 94,629 *l.*, that brings up the total capital to 9,520,466 *l.*; then that capital is carried on to the next year, and appears in the Capital Account for the next year?—You must, I think, separate those two items. If you notice the top one in the first amount of capital raised to 31st March 1876, is 9,425,837 *l.*, and the next year it is 9,700,000 *l.*, which does not agree with the total of the previous year.

1995. Exactly; how is that?—That is because between those two dates we had paid extra sums of money to railway and other companies for their telegraph undertakings, as shown by the Telegraph Capital Accounts.

1996. Then it is a question of book-keeping, is it?—Yes; the whole of the money, which was authorised and raised under the Bill sanctioned by Parliament, was not expended up to the year 1876. We had not then completed the whole of our arbitrations with the railway companies, and there were continuous payments made after those dates.

1997. *Mr. Mowbray.*] Has it all been expended now?—I believe the whole of it.

1998. Can

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[Continued.]

1998. Can you account for the difference between the amount of capital in this Capital Account of 10,140,000 *l.*, and the amount which you will find in the note at the bottom of page 9 of the last Report of the Postmaster General, where the capital sum raised by the Government for the purchase of telegraphs is stated as 10,880,571 *l.*?—I may explain that by saying that that is the value of the stock. I think if you will turn to the last account, Parliamentary Paper, No. 31, Return for Post Office Telegraphs, you will see the explanation; the amount of capital stock is there given as 10,880,571 *l.* and the interest for one year is 326,417 *l.* That first figure is the figure quoted in the note to the Postmaster General's Report. The difference between those two amounts is that one is the amount of stock and the other is the amount of cash.

1999. It does not mean that any amount of loan has been paid off?—The amount there given is the amount as it stands; but in the years 1870 and 1871, two amounts were paid off during those years. In the Parliamentary Return of this year, No. 13, it is shown that under 1870 and 1871 there were two amounts available for the reduction of capital expenditure, and the note at the bottom shows that the sum of 54,771 *l.* stock was cancelled in 1870, and a sum of 12,830 *l.* stock was cancelled in the following year.

2000. After the cancelling, the amount of stock now standing is 10,880,571 *l.*?—Yes; there is, as shown in the last Capital Account, a small balance at the disposal of the Postmaster General of 11,416 *l.* 17 *s.* 1 *d.*

2001. Mr. Richard Chamberlain.] Not shown in Account No. 1?—Quite so.

2002. It is floating capital, in fact?—It has been raised, but not expended; the question is under consideration whether it should not be paid off.

2003. Mr. Henniker Heaton.] With regard to this ten millions, which I think is the cost of the purchase of telegrams originally paid by the Government, it is generally admitted that it was too high a payment at the time?—At the present time it is thought that the bargain was rather heavy.

2004. In fact, it should be put to the National Debt like the Crimean War Fund, or anything else of that kind?—I do not know that I can go into that.

2005. Chairman.] Do you know anything of the Accounts of the telegraph systems of foreign countries; I mean as to whether the telegraphs in any foreign countries are conducted at a profit, and whether they are able to produce a commercial balance sheet?—In France and in Germany where they have the largest systems on the continent of Europe, their expenditure is mixed up with the expenditure of the Post Office service generally, so that I have been unable to ascertain what the actual cost has been with regard to revenue. In the case of nearly every other country on the Continent, I think the telegraph systems are conducted at a loss, and especially in Belgium, at a very considerable loss.

2006. And in Switzerland what is the case?—Switzerland, I think, is just on the balance. I am not quite certain, but it is either a little bit above or a little bit below; it is very close.

2007. Mr. Raikes.] You would probably like to remind the Committee that beyond regarding this question as a commercial question (to which alone your examination has hitherto tended), consideration must be given not merely to what appears in the Account, but also to other matters, as, for instance, the rates for Press messages which I think you have not referred to?—I have not referred to them. As a matter of fact, we believe that the tariff under which Press messages are sent in this country causes a loss amounting to nearly 200,000 *l.* a-year.

2008. If the telegraph business could be regarded as a purely commercial affair that would have to be taken into account?—Certainly.

2009. Then there is also the unproductive work done for the Departments?—In this Account that is taken credit for.

2010. You have taken credit for 29,000 *l.*—Yes.

2011. That represents the unproductive work done for the other Departments?—Yes.

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2012. Taking

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[Continued.]

2012. Taking all that into consideration ; that is to say, the very large price paid for the first acquisition of the telegraphs, the unproductive, or almost unproductive rates for Press messages, and the work done for the other Departments, you bring out an average of 2·69 profit on the 12 years?—Yes. Perhaps I might add that there is a further unproductive work which we have to do under the terms of the Telegraph Act. We have under the terms of the Telegraph Act to transmit messages sent on the business of railway companies free of cost. The date of the purchase was the 29th January 1870. In the first complete year, that is, 1871, we transmitted on account of railway companies free of charge to them, 97,000 messages ; last year we transmitted 961,000 messages ; showing nearly ten times the amount in 1871 of messages transmitted for railway companies within that period without any charge to them at the cost of the Department.

2013. Mr. *David Plunket*.] Was that arrangement part of the bargain by which you got your way-leave over the railways?—It was part of the bargain.

2014. Has the amount of railway over which you have these advantages increased in the meantime?—No, there has been no increase.

2015. Mr. *Richard Chamberlain*.] But the mileage of the railways has increased considerably we know?—Yes, but not the mileage for which we have got way-leave.

2016. Mr. *Heneage*.] You have not told us what the loss to the revenue is from these railway messages?—It would be a million eightpences on the average at the present time. These railway messages are longer than the ordinary messages, and the ordinary messages at the present time average about 17 words, and for the 17 words from the public we get 8 *d*. The railway messages would be more than 8 *d*.; they would represent something like 1 *s*. a message at the least. Therefore as regards loss of revenue we have not received payment for 961,000 messages ; that is 961,000 shillings in the year.

2017. Mr. *Raikes*.] That is nearly 50,000 *l*.—Nearly 50,000 *l*.

2018. Mr. *David Plunket*.] To what do you attribute this great increase in the number of railway messages?—I think that the railway companies have found it more convenient to do their business by means of the Post Office for nothing than to do it in other ways. I only bring that fact forward to show that whereas in 1871 the railway companies thought it only necessary to hand us 97,000 messages, last year they thought it necessary to ask us to transmit 961,000.

2019. Mr. *Heniker Heaton*.] Have we any power to terminate an arrangement of that character?—None.

2020. Mr. *Raikes*.] I should only want to get the two points of view together. Turning for a moment from the commercial aspect of the question which has somewhat monopolised the attention of the Committee, I should like to ask you, as responsible mainly for the administration of telegraphs, whether you think it possible or practicable for the Department to regard that question purely from that point of view?—I am afraid it is not possible, because whereas for a short time after the transfer of the telegraphs we simply transacted business in the larger towns throughout the country, we were afterwards compelled to purchase the undertaking of the Channel Islands, and the Isle of Man, and other companies which were not, when the telegraphs were first taken over, included in the scheme of purchase. Afterwards, as time went on, the Department was compelled from one reason and another, partly Parliamentary pressure and the necessity of having telegraphic communication, to make extensions to various islands off the Coast of Scotland, from which in no case is the receipt enough to pay the working expenses.

2021. Is there not a constant pressure by Parliament and by the public upon the Department to engage in enterprises which are not commercially remunerative?—No doubt pressure is put upon that Department in that way. For the last few years in the cases of extensions, the Treasury have laid down the rule upon

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upon which the Postmaster Generals have acted, that an extension will not be made to any particular locality unless the amount of business is sufficient to cover the cost, or unless persons interested in the extension are willing to guarantee the cost. In years gone by that rule was not so rigidly acted upon, and no doubt we did set up a considerable number of offices which do not pay their working expenses.

2022. In your opinion is it not absolutely necessary in order to promote the public interest, and to satisfy public demands, to continue to spend what may be necessary for the proper administration of the service, even if it should for the time appear to involve a commercial loss?—I think we are continually under that pressure. If there should be a delay between any two centres in a very short time the public bring pressure to bear to increase the facilities between those towns; and it is on that account that the large annual expenditure takes place for new works. When I use the term new works in this connection, I mean additional facilities as distinguished from extensions to new places. In the Estimates for the present year, the amount taken for extensions shows a total of 99,000 *l.*, but of that 50,000 *l.* is for providing new wires or better apparatus on existing wires between towns already connected; that is to say, partly from the increase of business, and partly to avoid delay in the transmission of messages the Department has to spend about 50,000 *l.*, and has spent about that sum for several years past, leaving out for the moment the additional sums spent over and above that sum when preparation was made for the sixpenny rate.

2023. And generally is it not, and must it not be, the first consideration of the Department, to make the public service efficient?—Certainly it is.

2024. Mr. *Mowbray*.] If I followed your evidence correctly the commercial result of your balance sheet is more satisfactory than the Parliamentary result?—Yes.

2025. I think there are various ways of stating the loss in the Parliamentary figures?—Yes.

2026. Which vary, I think, in the year 1886-87, from a deficit of 84,000 *l.* and odd in the Appendix R. to the Postmaster General's Report, to a deficit of 145,000 *l.*, as given in Table VIII., which is now before the Committee?—Yes, that is so.

2027. Do not you think that it would be more convenient if the figures were so arranged that any ordinary person looking at the accounts in the Postmaster General's Report should be able to understand the difference between these deficits which are shown in the two different places?—Without doubt it is always desirable to have, if possible, one set of figures instead of two, as in the present instance. Of course I must say that I agree with the honourable Member in that wish.

2028. I refer to the figure on Table VIII., which are substantially the same as the statement on page 9 of the Postmaster General's Report?—Yes.

2029. And they are materially different from the figures in the Appendix R. to the Postmaster General's Report?—Yes.

2030. And there is nothing on the face either of the Report or of the Appendix which would show an ordinary person in what the difference consists?—I can hardly go quite so far as that. I think the headings show the differences.

2031. There is no heading on page 9, except "Revenue and Expenditure" in respect of telegraphic service?—That is so.

2032. In presenting your commercial balance sheet, I understand you have taken into consideration the amount originally expended upon the telegraphs?—Yes.

2033. But in these Parliamentary figures, you have not taken that into consideration?—No.

2034. On what Vote is the 326,417 *l.* interest on the capital sum borne; is it charged upon the Consolidated Fund?—Yes, I think it is.

2035. It would be shown in the Finance Account?—It is not shown separately at all; I think it is simply interest upon capital raised; upon Consols.

2036. Is it part of the general National Debt?—Certainly.

2037. There is no distinction?—There is no distinction.

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2038. There

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[*Continued.*]

2038. There is still one other set of figures which I should like to call attention to, viz.: the figure in the Appropriation Accounts, 1886-87, which show a still larger deficit than in the Appendix of the Postmaster General's Report?—That is so. The Auditor General does not take into account certain items of receipt which are taken in the Appendix to the Postmaster General's Report.

2039. There again there is nothing on the face of the Appropriation Accounts to exactly explain that difference, is there?—No.

2040. Now just turn to the Estimates for one minute. I see under heading A. 2 you have an Estimate for the travelling expenses of the provincial surveyors; is there any Vote for the salaries of those provincial surveyors charged on the Telegraphs?—There is none.

2041. Then can you tell me any reason why the travelling expenses should be charged upon the Telegraph Vote and the salaries should not?—We are able to earmark their travelling more easily than the proportion of their salary.

2042. Would it not show the expense of the Telegraph Service better if a certain proportion of the salaries of those provincial surveyors was charged to the Telegraph Vote instead of the Post Office Vote?—That raises the whole question of how much of their salaries should be charged to the Telegraphs. The surveyors were in existence for Post Office duties before the telegraphs were taken over by the Post Office, and therefore the telegraphs have only caused an addition to their duties, and not the institution of the surveyors.

2043. Therefore, you only charge to the Telegraph Vote the additional expense you are able to earmark as belonging to the Telegraph Vote?—Yes, in this particular case.

2044. In some other cases you do charge a portion of the whole Vote for salaries to the telegraphs?—Yes, in the case of the Secretary's office, you see 25 per cent. of the cost for salaries and wages is taken; that 25 per cent was easily arrived at, because until within the last few years the staff employed upon telegraph duties in the Secretary's office was shown separately, and in the Telegraph Estimate we found that the cost of that staff was about 25 per cent. of the whole. Then as it was convenient to amalgamate the whole of the duties 25 per cent. was taken instead of the actual sum for clerks services.

2045. The net result is that the Telegraph Service get the benefit of a certain portion of the services of the provincial surveyors without being charged directly anything for it?—Yes.

2046. I see under heading C. 3, there is a large charge for materials; and under heading O. 1, or, in fact, O. generally, there are also large charges for material?—Yes.

2047. And under heading L. there is a charge for stores?—Yes.

2048. What distinction do you draw between materials for maintenance, materials for extensions, and stores?—The whole of the materials employed in the erection or maintenance of wires, poles, apparatus, &c., are charged in the first instance to Sub-head C. 3. A certain quantity of those stores which are expended upon the maintenance of the system are charged and form part of the 90,000 *l.* in Sub-head C. 3, which is the Estimate for this year. The other portions are expenditure either for putting up new poles with wires upon them, or putting up a private wire, and so on, as shown under the Sub-heads of O.; whereas Sub-head L. simply is charged with the cost of the various materials specified there, namely, Morse, Wheatstone, carbonic paper, &c.

2049. Then what is the analysis of stores at the end of the Estimates?—The first portion, "Engineering Stores" (to go back to your first question) contains what really belongs to Sub-head C. Then the last portion, amounting only to 2,092 *l.*, falls under L.

2050. Now I see that the stores in hand increase; is there any audit of those?—Yes.

2051. By whom?—They are audited by the officers of the Department, and the accounts come under the Auditor General.

2052. Does the Auditor General himself have any test audit of those stores?—Not himself.

2053. I see

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2053. I see he has suggested it in the Appropriation Accounts; has that suggestion been carried out?—I do not think he has quite suggested it. It would require to have an expert to do that audit.

2054. I think, if you look at the Appropriation Account for last year, you will see a letter saying that the Comptroller and Auditor General “is desirous of immediately proceeding with the test audit of the Telegraph Stores”?—True; but that does not mean to look at the stores to see what they are, but it merely means that he should examine the accounts, not the stores. If you look at the Treasury Letter at the same time I think that will explain it.

2055. The letter that I am reading says that the Comptroller and Auditor General “considers it desirable that the officers of his Department should have opportunities of occasionally visiting some of the principal store depôts, with the view of ascertaining locally the system under which the receipt and supply of stores is carried on”?—Yes, that is his opinion; but that has not been carried out.

2056. All I asked was, whether it had been carried out, and I understand that, in fact, that suggestion has not been carried out?—It has not, inasmuch as it would be necessary that he should have a staff who were experts in telegraph business.

2057. Then, in fact, the only audit of these stores, which show an increase in value, is the audit of the Department itself?—Yes, checked by the Auditor General in the Accounts.

2058. Mr. *Dixon-Hartland*.] I wanted to ask a few questions with regard to private telegraphs; I see there is 35,000 *l.* charged in the Estimate for private telegraphs?—Yes.

2059. What is the meaning of that charge?—That is the amount which we estimate will be payable in the course of this financial year, in respect of the erection of private wires for the use of individual firms or houses.

2060. Then that will be capital expenditure?—That is capital expenditure.

2061. It is not put among the capital expenditure?—It is borne upon our Vote; there is no Capital Account.

2062. Then it is, in fact, capital; or is any of this 35,000 *l.* to be used for keeping up the private wires at present?—None at all. The upkeep of existing wires all falls under Sub-head C., which is Maintenance.

2063. It is not specially charged there?—It is charged upon the whole system. The private wires and public wires are on the same poles, and in the same pipes; there is no distinction between the two, except as regards the use to which the wires are put.

2064. Can you give me any information as to how these private wires are worked by the Post Office. I suppose you are aware that there is a great discontent as to the way in which the Post Office manage these private wires; they have the monopoly, and insist upon the money being paid in advance, and then the wires may, at any time, be out of order, and left for weeks unrepaired, without there being any redress whatever to the public?—I have heard no complaint to the extent to which you speak. The wires are not, I believe, out of order for any considerable length of time.

2065. Will you tell me the way in which those wires are managed?—I do not quite comprehend the question.

2066. I want to know in what way you arrange for the keeping of these wires in order; is there any particular Vote for it?—The sum charged for keeping these wires in order is included in the sum under Sub-head C.

2067. What orders are given with regard to the keeping in order of these private wires?—The same orders are given as for maintaining the public wires.

2068. What are those orders?—That they are to be kept in perfect working order.

2069. But they are not kept in perfect working order?—I believe they are kept in perfect working order.

2070. When you get a complaint that they are not in perfect working order, what

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what is the course taken ; is there a staff specially appointed for this work, or not ?—Certainly.

2071. Then why does not that appear here ?—It appears under C.

2072. Where ?—On page 127 of the Estimates.

2073. Do you mind pointing me out the item ?—If you commenced there (pointing to page 127) and go down to the bottom, it is all there.

2074. Is that all with regard to private wires ?—No ; the whole of the telegraphs.

2075. My question is, is there a special staff kept for private wires in contradistinction to the public wires ?—There is not.

2076. You said, as I understood, that it was a distinct staff ?—It is not a separate staff.

2077. Then there is no staff ?—Yes, there is a staff, but not separately from the other.

2078. It is part of the general telegraph system ?—Yes.

2079. When the private wires are out of order, I presume the public system takes precedence of the private system ?—If they are on the same poles they are put up without distinction.

2080. Will you please answer my question ?—I am unable to do so more than I have already done.

2081. What I ask is this : there being one staff, as you say, if there is damage to the public wires and to the private wires, I presume the public wires are put in order first ?—If they can be distinguished they might be.

2082. And if they are not distinguished ?—They are put up together.

2083. If you get a complaint, how do you treat it ?—If I got a complaint, I should send to the engineer-in-chief, who would send to the superintendent of the district to make inquiry.

2084. How long would that take ?—If I received a complaint to-day, we would look after the wire to-morrow.

2085. How long would it be before a man was sent to attend to it ?—At once.

2086. On the same day ?—Yes, if it is possible to send him.

2087. Is not it within your knowledge sometimes more than a week before a fault in a private wire is put in order ?—No, except during an interruption of the whole telegraphic system.

2088. Do you not think it would be much better if a separate staff was kept for private wires ?—Certainly not.

2089. Why ?—Because it would cost so much money that we should not be able to give private wires at the rate at which they are now given. Might I add that the renter when his wire is interrupted, has a form that he sends to the local inspector.

2090. I am quite aware of that. I am speaking of my own knowledge of a wire which was charged for in advance being six weeks out of use, and the Post Office neither allowed their wires to be used, nor put the thing in repair ?—I cannot say as to exceptional cases ; there may have been some reason for the delay in that case.

2091. I only wished to find out the system upon which the wires were kept in order, because there is very great dissatisfaction as to the way in which private wires are managed ?—I have not heard of that.

2092. Can you give any suggestion as to how the work could be arranged better ?—No, I think not.

2093. Mr. *Henniker Heaton*.] You have had considerable experience in the Telegraph Department, I think ; you have been connected with it many years, have you not ?—I have been connected with the telegraphs since 1868.

2094. That is 20 years. Although some of the details of information with regard to these questions are given in the Estimates, I would like you to repeat them so that we may have them in a simple form. What were the total receipts for 1886-87 for messages and rentals of telegraphic wires in every form ; I think you will find the figure in the last "Account on Commercial Principles" ?—The total amount of revenue, 1,887,160 *l*. That is partly made up of services done

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done for other public Departments, and extra receipts, and also receipts from waste-paper.

2095. Mr. *Jackson*.] When you say it is made up partly of receipts for work done for other public Departments would that account appear in the Accounts as a receipt?—Only in the “account on commercial principles.”

2096. Mr. *Henniker Heaton*.] I will elucidate that point, as it is very interesting. By what means do you make up that total amount; just give me the items?—Message receipts, private wire rentals, &c., as shown by the Finance Accounts, 1,841,161 *l.*; then secondly, value of services rendered to Government Departments; and then, thirdly, extra receipts; it is under three items.

2097. There is an item here of value of services rendered to Government Departments, 29,207 *l.*; is that the total amount?—Yes.

2098. What do you mean by the amount of 16,000 *l.*, extra receipts?—That is made up as follows: as per Appropriation Account, 14,525 *l.*; amounts received by Office of Works, London, and by Office of Public Works, Dublin, for old materials, 70 *l.*; and waste-paper sold by the Stationery Office, 2,188 *l.*

2099. In regard to that item of 2,188 *l.* for waste-paper, do you send all the waste-paper, including the Post Office waste-paper, to the Stationery Office, and credit yourself with your fair amount, or is it sent separately?—I think it is sent altogether.

2100. Is that large amount of 2,188 *l.* what you receive for waste-paper?—It is not received, it is in the Account.

2101. It is really sold by the Stationery Office, and credited to you?—It is not really credited to us, except in this Commercial Account.

2102. I can perhaps hardly ask you whether a similar item occurs in the Post Office Estimates; now, on the other hand, what did you pay last year for salaries, wages, and maintenance; in other words, what were the working expenses of the Telegraph Department last year?—According to the Appropriation Accounts they are 1,939,764 *l.*

2103. And, according to your commercial balance-sheet, they were what?—£. 1,796,760.

2104. How do you account for the difference?—It is shown by the explanation given under Table III. of this Commercial Account.

2105. Will you say in a few words what the explanation is?—From the amount charged to the Telegraph Vote and charged to the Votes of other Departments on account of the Telegraph Services that they render, is deducted the amount charged for telegraph extensions, for purchase of sites and buildings, and the cost of replacing certain cables; and what remains is the amount shown as salaries, wages, and maintenance in Table II. on the opposite page.

2106. By this account, on commercial principles, do you show a dividend?—Yes, a dividend of '85 or '63, according to what account you take.

2107. So that, as a matter of fact, upon your account of the Telegraph Department on commercial principles you have an absolute profit?—A small profit.

2108. Mr. *Jackson*.] That is, charging no interest upon capital; I do not know whether it is suggested that that is an ordinary commercial principle?—That is, charging no interest upon capital.

2109. Mr. *Henniker Heaton*.] The next point which I wish to ask about is with regard to the private wires, as to the relation between you and the cable companies; how many cable companies have private wires?—All except the Submarine.

2110. Could you furnish the Committee with a list of private wires rented to the cable companies only?—Yes.

2111. And the amounts paid by each cable company for private wires in England?—Yes.

2112. Will you undertake to do that by the next sitting of the Committee?—Yes, if instructed by the Committee to do so.

2113. Have you any idea of the business done by the cable companies between England and the rest of the world?—No, I have no particulars.

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2114. Have you any power under the terms on which you rent these wires to them to ascertain the business done by the cable companies?—No.

2115. Have you taken any steps to obtain that information?—No.

2116. Does it occur to you that you could or ought to obtain that information?—I may say that under the 12th section of the Telegraph Act of 1869 the Postmaster General is required to provide these private wires.

2117. You have referred to the 12th section of the Act of 1869; there is something in that Act here about arbitration?—Yes.

2118. Do you think it is desirable to charge a royalty on messages that come to this country the same as the Indian Government do. Perhaps I had better ask you first are you aware that the Indian Government charge a royalty of about 4 *d.* a message upon cable messages passing over their line?—Yes; we do the same in this country.

2119. You do charge a royalty?—Yes.

2120. On all cable messages?—On messages passing over our wires.

2121. As regards cable messages which come to this country by various lines which you now give private wires to, do you think it would be desirable to charge a royalty upon each of those messages?—If the Post Office has not to deal with the message, I see no reason for doing so. Where the Post Office does handle the message, it does charge what you call a royalty.

2122. Would it be desirable to get information as to whether that would be profitable to the Post Office?—If by a royalty you get further income, naturally the Post Office would not be unwilling to receive it.

2123. Have you any means of obtaining the information whether the profit would be large?—The number of messages which the cable companies themselves deal with, and which do not pass into the hands of the Post Office at all, is no doubt very considerable: therefore any royalty charged upon them would be so much more revenue to the Post Office.

2124. Have you ever seen the annual Report of the Postmaster General of South Australia?—Yes.

2125. Are you aware that in that Report a statement is given that the cable messages with England amount to 300,000 *l.* a year?—I do not remember.

2126. Could you find out by referring to that Report?—I think I have a copy of his last Report at the office.

2127. There is no power now to ascertain the business done between England and foreign countries by cable, is there?—None.

2128. The next point I wish to ask you about is this: Have you made a calculation, or obtained any return of the amount paid by the Imperial and Colonial Governments last year for cable messages?—No.

2129. Will you endeavour to obtain for the Committee that information by making an application to the Foreign Office, the Colonial Office, the India Office, the War Office, and the Admiralty, if it is the wish of the Committee?—If it is the wish of the Committee I can do so. In fact, it can be obtained at the Post Office, inasmuch as we furnish the Accounts to those offices.

2130. The Post Office can give the information as to the total amount expended in cable messages, as I understand; are you aware that the cables are almost all in British hands now?—Yes.

2131. Negotiations with the Submarine Cable Company to acquire the lines between England and the Continent are now in progress, I believe?—Yes.

2132. That being so it is thought desirable not to ask any further questions on that point. You stated a few minutes ago that the loss on the Press messages amounted to a certain sum; what was it?—About 200,000 *l.* a year.

2133. Could you furnish the Committee with any data showing how you arrive at that result?—I should hardly be able to get such a statement before the Committee completed its sittings.

2134. Could you state briefly without burdening the Report in any way, or making a prolonged statement, by what means this loss of 200,000 *l.* (which we have not had before, and which is a very startling fact) is arrived at?—That figure has been mentioned in Parliament on several occasions previously. In accounting for it you have only to remember that under Section 16 of the Telegraph Act of 1868 the Postmaster General has to carry a message from London to Plymouth for a shilling; and if he is required he has to carry a copy of that message

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message from London to Wick for two-pence. In the case of the shilling it is quite possible he may be able to make a profit, but the Committee will see it is hardly possible for a copy of a message of 75 words during the day or 100 words at night to be sent to Wick for two-pence.

2135. Do you also send the same Press messages to a large number of papers in Ireland?—Yes, and not only to Ireland, but to most of the large offices United Kingdom.

2136. They go through a Press agency, I presume?—No; the Press agency supplies the Post Office with the matter to be transmitted, and the Post Office transmits it. In the year 1887 the Post Office transmitted messages on account of the Press to 286 towns, and delivered them to 499 newspapers, and to 289 institutions. It delivered about 4½ million messages, containing about 482 million words in that year.

2137. You have a Return before you showing that, have you not?—Yes.

2138. It covers a number of years, does it not?—It gives the totals from 1881 to the present time.

2139. We would like to have that Return; will you put it in?—Yes. (*The same was handed in.*)

2140. With regard to telephones it is stated that the private telephone companies seriously affect the revenue of the Telegraph Department; is that so?—To some extent they must.

2141. Have the British Government a telephone system in operation in this country?—Yes.

2142. Public and private companies have telephone systems also, have they not?—Yes.

2143. Is it true, that the private telephone systems are cutting out the Government in many instances?—No, I think not.

2144. They are doing a large business, are they not?—Yes.

2145. And consolidating their companies?—There is a rumour of such consolidation. I do not know that it has begun yet.

2146. Is that affecting the revenue of the Telegraph Department to any extent?—No doubt the Department loses a certain number of messages.

2147. Through the operations of the telephone companies?—Yes.

2148. Have you any information upon that subject, or have you any reports?—No.

2149. Mr. Brunner.] I want to take you back to Table No. 2, and to ask whether you would be good enough to give us the number of messages delivered in those years, that we may have a return for telegraphs similar to that which was presented to us on behalf of the Post Office?—The return is given in the Postmaster-General's Report for each year to 1887.

2150. Will you kindly have a calculation made of the salaries and wages as compared with the number of messages?—Yes.

2151. Under the head of maintenance of telegraph system in this Table 2 is included the maintenance of your poles, wires, and instruments?—Yes.

2152. Year by year, as your system extends, you have a larger proportion of new posts, new wires, and new instruments?—Yes.

2153. You will observe, I say, a larger proportion; that is to say, that the percentage of new instruments is year by year larger than it was in the previous year?—I do not quite follow your question. We add instruments yearly, as I explained to the Committee.

2154. And yearly at a larger rate of increase, is that so?—I should not like to say that.

2155. The total amount of new plant, if we may use an inclusive term, is much larger in proportion to the total than it was at the beginning?—No, it has kept very steadily at about the same figure. The Estimates are very nearly the same for each year, with the exception of three years in which a very large sum was expended for the erection of new wires in anticipation of the 6d. rate.

2156. As the age of your plant increases the cost of maintenance will increase will not it?—Not more than it does now. As I explained to the Committee the maintenance at the present time is rather less if anything than it was a few years ago; because care has been taken to spread the renewal of poles and wires over a series of years.

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2157. Each

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2157. Each instrument, post, and wire has a life of so many years?—Yes.

2158. You have not yet arrived, I think, at the maximum charge for maintenance?—I almost think we have.

2159. I am very glad to hear it; then your instruments are now, on an average, half worn out, are they not?—No, I think not.

2160. Then you have not yet arrived at the maximum charge for maintenance?—What I mean is, we renew them from time to time, so as to keep very nearly next to new; that is to say, the maintenance is kept up to a very high state of efficiency, so that we may keep the instruments as nearly new, so to speak, as possible, because unless we did that we should not be able to get the large quantity of work that we require out of them.

2161. Then I may take it that the item of maintenance will not increase on account of the advancing age of your plant?—Not to any great extent, I think.

2162. Is there any preference shown to public message in point of time of delivery?—None whatever.

2163. You spoke of a loss on Press messages of 200,000*l.* a year. Will you tell us whether there has been, during the time covered by these Tables, any change in the charge for Press messages?—There has been no change.

2164. These figures of 1*s.* for 75 words, and 2*d.* for the copy, have obtained since 1879?—Yes, there has been a slight change, but only to a slight extent. Up to 1876 there was rather a different way of counting Press messages, that is to say, if there were three reports of a market (for instance, of the Cork butter market) handed in at different periods of the day, if those three messages consisted of only 75 words in the total, they would have been delivered for one charge of 2*d.* That naturally enough caused a very considerable loss, and now we do not count the messages together as a continuous message, unless the portions are handed in within a reasonable interval of one another.

2165. Mr. *Henniker Heaton.*] Do you calculate the loss of 200,000*l.* a year upon the number of words sent, or upon the actual expenses of the Telegraph Department?—The calculation of 200,000*l.* a year is based upon a calculation on the cost of the Department, so far as it can be arrived at, for dealing with Press messages individually.

2166. That is to say, it is upon the number of words sent?—Yes.

2167. Over and above the amount that you receive for Press messages, you expend in conducting the business an amount of 200,000*l.* a year?—That is our estimate.

2168. Mr. *Brunner.*] May I take it that all your stores are fit for use?—No; part of our stores consist of stores returned and taken down, and these are partly repaired and partly sold.

2169. Do you take those into account as stock in your Commercial Statement?—In that Commercial Statement we have not taken that into account.

2170. Therefore you have something to the good?—We have something to the good.

2171. May I ask you who is responsible for watching your stocks and stores, in order to decide what is too far gone in condition to be used again?—We have in London one large dépôt for general stores. We have also a factory for making and repairing instruments; we have scattered all over the country store dépôts containing poles and apparatus, and we have at all the offices also apparatus and small quantities of other stores for use in those offices. The stores are used outwards from those dépôts, and then, if they become too old, are sent up to the head factory in London to be repaired or condemned.

2172. Who decides whether they are to be repaired or condemned?—An instrument that is damaged or requires to be repaired (if it is more than a small repair which can be effected upon the spot), is generally sent to London, and the superintendent of the factory will decide whether or not it is capable of being made use of again.

2173. May I take your answer to my question to be that the chief superintendent of factories in London decides those points?—Yes; under the Controller of Stores, whose officer he is.

2174. What becomes of the condemned stores?—We sell them from time to time.

2175. Are

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2175. Are they broken up?—We break them up sometimes; they are generally obsolete. We sell them sometimes; but, as a rule, a very small price is got for them.

2176. Are you of opinion that the system adopted is as sound a one as can be adopted?—I think it is. It was gone into very carefully some years ago, and it was only adopted after some considerable discussion.

2177. You have no recommendation to make for its improvement?—I think it has worked very well. I have heard nothing against it.

2178. Mr. *Preston Bruce*.] I should like to ask a question with regard to these rates for press messages; do you say that these rates were laid down in the Act?—Yes, the Act of 1868.

2179. Under what circumstances are they liable to be altered?—By another Act only.

2180. It requires legislation to alter them?—Yes.

2181. Then with regard to the railway messages, it is also laid down, I understand, in the Act that railway messages shall be carried free?—Yes.

2182. Is that also a matter that could not be altered without legislation?—Yes; except with the consent of the railway company.

2183. Are any restrictions put upon the companies as to the messages?—According to the terms of the Act, or according to the terms of the clause in the agreements with certain railway companies (which are scheduled to the Act of 1868, and which is very nearly in the same terms, if not quite), they are to be messages of the railway company in any way relating to the business of the railway company to and from foreign stations. The restriction is that they must be messages relating to the business of the company. “Foreign stations,” I may explain is a technical term, and the judges in a case the other day said they had great difficulty in understanding what its real meaning was.

2184. Mr. *Heneage*.] It means, I suppose, from one station to another?—No, that is not the meaning we put upon it. It arose out of a technical term that was used before the time of the transfer of the telegraphs, and I may explain it in this way: on certain lines the railway company and the telegraph company (say, for instance, the Electric Company) had their office for certain towns at the station; at other larger towns there was an office at the station for railway business proper and a town office for the commercial business. When messages were sent from station to station they were sent over the railway wires, but it was not permitted that they should hand in railway messages at the town office for stations on the line of railway. “Foreign stations” is a technical term, and it is disputed at the present time what the real meaning of it is.

2185. Mr. *Preston Bruce*.] Practically this arrangement with the railway companies covers every message relating in any way to their business?—Yes, all messages sent by their officers.

2186. There is one other point upon which I wish to ask a question or two; you have referred to the extension of telegraphs to the islands in the north of Scotland?—Yes.

2187. You stated those extensions were not commercially remunerative?—Quite so.

2188. Is that the case even after allowing for the payment made by the Fishery Board in Scotland?—The Fishery Board have only lately given guarantees; in fact, I think at present the Fishery Board only pay in two or three cases; further extensions are being carried out this year in which the Fishery Board have also given guarantees, but what I was referring to was the extensions to the Western Hebrides.

2189. Can you say what the Fishery Board is now paying?—Something under 1,000 £., which will be increased next year.

2190. It will be increased to something like 1,500 £., will it not?—I think something like that.

2191. Is it not the case that there has been a large use made of these new wires of yours in connection with the Fisheries?—Not very large; the Fisheries do not bring many messages.

2192. Are you aware that it is stated in the last Report of the Fishery Board of

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[Continued.]

of Scotland that from one of those new stations in the island of Barra 21,000 messages were sent off in the year 1886?—I have not heard that; I do not think it can be so. I think there must be some mistake about it, because even when the fishing fleet comes in there may be only one or two messages. The persons who send the messages are not the fishermen at all, but the factor who buys the fish, or sends for the salt; so that you may have a very large catch of herring, or a large fleet of boats coming in, and we may have only two messages. I think, therefore, there must be some mistake about the 21,000 messages from Barra.

2193. And those further extensions that you spoke of are to the islands on the west coast, are they not?—Some are to the islands, but they are mostly on the coast.

2194. On the west coast, Sutherland, are they not?—Some are, and also further down the coast.

2195. Have you treated those islands in Scotland exceptionally with reference to the commercial return upon the messages?—No; the extensions to those places are on the same footing as other extensions.

2196. But they have been granted without the usual guarantee, I understand?—In the case of those extensions done some years ago; there was no guarantee asked for the extension to Stornaway, which was the first place opened in the Western Hebrides, and that is one of the places where an expensive cable was laid down, and we have not been recouped our cost.

2197. In an ordinary extension you are very strict in asking for a guarantee, are you not?—Yes.

2198. In the present extension going on in those islands in the north and west of Scotland have you relaxed the rule?—No, we are doing the same as in other cases.

2199. Mr. John Ellis.] I want to ask you a few questions on the various sub-heads which are given on page 122 of the Estimates. Taking, first, Sub-head C., on page 129, I see that the increase in your staff has been from 774 to 812?—Yes.

2200. The increase on the Vote, on the other hand, is no less a sum than 19,391 *l.*?—Yes.

2201. I think 9,616 *l.* of that is due to the increase in salaries; is that so?—£. 9,616 is due to the increase in salaries, and the employment of additional force.

2202. The increase of salaries is at a higher percentage than the increase in the number of the staff?—Yes; that increase of 6,916 *l.* is made up as follows: there is an increase for labour of 3,000 *l.*; then there is an increase in the force of 33 officers, at a cost of 4,359 *l.*; then there is an increase of the scales since last year, amounting to 314 *l.*; and then increments on salaries amount to 1,943 *l.*, which makes up the total of 9,616 *l.*

2203. What do you mean by an increase of scales?—These apply to the engineer in chief and one or two officers, whose scale was raised from 1,100 *l.* to 1,200 *l.*, and the total amount in this year's Estimates for increase of scales is 314 *l.*

2204. That is the only portion of that 9,616 *l.* which is due to increase of scale, as I understand?—That is so.

2205. In this memorandum which has been handed in, I see there is a remark that the mean of the improved scales granted some years ago has not yet been reached; does that apply to this sub-head?—Yes, to the salaries throughout the whole service. I can give you an instance which bears that out very well. If you will turn to page 132 of the Estimates, you will see it stated there that there were 2,856 persons employed last year, and 2,860 will be employed this year, showing an increase of only four persons.

2206. I was coming to that sub-head presently. Perhaps you will postpone your explanation of that until I reach it in due course. Now, with regard to the sub-head which I am upon at present, Sub-head C., that has by no means felt the full force of the increase of scale, as I understand?—There is not, so to speak, a very large number of persons under that sub-head who are affected by the scales which we were speaking of. A large number of those men, 304 out of

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of the total, are linemen whose scale is not affected by the Fawcett scheme at all.

2207. Supposing the same 812 persons who are borne upon the Estimates this year were on the Estimates of next year, and there was no increase, would there be a very large increase in the sum required for their salaries?—No, not much more than this year, I should think.

2208. Now, turning to page 130 of the Estimates, which is still the same sub-head, I notice an increase of 8,000 *l.* for materials under Sub head 3 C. That seems a very considerable increase; it is an increase of about 10 per cent. Can you give me any explanation as to that?—The fact is, we had taken rather too little in the last year, and the previous year also, and we had to meet the expenses out of other sub-heads under Treasury authority, although under Sub-head C. it was not shown in the Estimates. Therefore this year we have taken a full Estimate as close as we possibly could of what we expect to spend.

2209. In fact, there had been a little starving in previous years, and you had to make it up?—Yes; we had spent the money, and it had not appeared in the Estimates, although it was in the Appropriation Account.

2210. Is it within your power to appropriate to any items under this Vote 5 money that has been specifically given for another item in another sub-head for a previous year?—Not for a previous year, but with Treasury sanction we may spend money given under another sub-head within the same year.

2211. Now, passing to Sub-head D., at the bottom of page 130, I see the increase is 5,000 *l.*?—Yes.

2212. On a total of 34,000 *l.* for last year, is not that a very large increase?—The reason is because the messages dealt with by the railway companies have increased so very largely. Perhaps I might show you what they were. In the previous year we had not settled with the railway companies the new rates of commission, and indeed they are not absolutely settled at the present time. They have given notice of a further revision.

2213. Then it is not only an increase in the number of messages, but is it also an increase in the rate that affects that Vote?—Yes, it is partly so. There has been a considerable increase, as you will see from these figures. In the year ending the 30th of September 1885 the railway companies dealt with 1,666,000 messages. That was the year before the new tariff was established. I am taking, not the financial year, but the actual time when the tariff began, and in the first year after the new tariff they dealt with two and a-half millions of messages, or nearly 900,000 more than the previous year. Then in the year ending the 30th September 1887 they dealt with 2,828,000 messages.

2214. Then, as I understand, you have made provision in the Estimates for two factors; first, the increase in business, and, secondly, increased rate?—Yes; there is a very slightly increased rate.

2215. Do you expect to feel the full force of the increased rate in the next year?—The rate, I hope, will not increase again.

2216. My question is rather this: will you feel the full increased rate during the whole of the financial year; does it come into operation at the beginning of the year?—Yes.

2217. From the very first beginning of the financial year?—Yes; because if the Government do give any higher commission than is now given we shall have to pay that, and whatever there may be due for our portion of last year; that will all have to come out of this 39,000 *l.*

2218. That Vote again in 1889-90 will show, consequently, a very large increase?—Only an increase due to the number of messages, not anything else.

2219. As I understand there are two factors at work now in the way of increase?—Yes.

2220. There is an additional factor now as compared with three years ago, namely, that the rate had been increased?—Yes, or may be increased.

2221. Do I understand that it is not quite settled yet?—It is not settled yet.

2222. But you have taken provision for it?—Yes, to a small extent.

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[*Continued.*]

2223. And you have no reason to doubt that it will be given?—I think very possibly it will be given.

2224. Now, turning to Sub-head E. 1, at page 132 of the Estimates, that is the sub-head to which you were alluding just now?—Yes.

2225. I notice that there is, practically, no increase in the staff, but an enormous increase in the amount of salaries?—Yes; I thought that was a good instance to quote as bearing out the statement which is made as to the automatic increase. The increase in the number of men is only four as between 1887-88 and 1888-89, and the sum due to those four persons is 187 *l.* only. The remainder, namely, 7,674 *l.*, being absolutely due to the automatic increase in the salaries by the increments.

2226. Will that continue in subsequent years with added force?—Certainly.

2227. Can you say when it will have arrived at this maximum?—It is very difficult to predicate that at all. The force is being added to year by year. Since these Estimates were actually prepared we have already had to go to the Treasury, and we have received Treasury authority for 100 and odd persons more than are shown in those Estimates, and each one of those will come in for a course of increments. Beginning with the second-class telegraphists, whose wages rise gradually from 12 *s.* per week to 100 *l.* a year, he will take from 11 to 12 years before he gets to his maximum. At the same time you have not only to add to the lower class, but the duties of those in the first class also increase considerably. Indeed you may have the proportion of increment upon the first class even greater than it is upon the second class in consequence, for instance, of business arising between two large towns. Supposing you want to put two additional wires between those two towns, you must put, not a second-class clerk but a first-class clerk, inasmuch as the wires which are there at present are worked by first-class clerks. If there were five wires previously it would not do to throw the work on to those five lines only, throwing the overplus upon the extra wires which are added; but the whole of the work should be spread over the seven wires; and you must, therefore, have the same class of clerks for the two new wires as you had for the old wires; so that the whole may be worked together.

2228. Then we may take it that the cost of this portion of the public service, so far as the item of salaries is concerned, is increasing rapidly per head?—Yes; you see it is a young service always being added to, and with very few people going off at the head.

2229. Your expenditure side of the account is tending to a rapid augmentation?—Yes, as shown by these tables that have been prepared.

2230. Now, going to some items further down on the same page, I see under Sub-head E. 4 there is an increase of 1,000 *l.* on 3,650 *l.* for cost of electric light for the West Chief Office building, &c.?—Yes.

2231. Is that owing to the new introduction of the electric light?—Yes, that is new.

2232. Is most of the 1,000 *l.* increase due to that?—I am not quite clear upon that point.

2233. £. 1,000 increase upon a total of 3,650 *l.* strikes one as a rather large increase?—It is a very large increase. I think it must be due to the electric light only.

2234. Do you anticipate that it will be economical in the large sense of the word?—At the present time it is rather more an experiment than an actual settlement of the question. These galleries are kept open continuously; they are never closed, and we are very anxious to try to mitigate the heat, and see whether, even in spite of this expenditure, it is not better to have the electric light for the clerks, and for the working generally, than to keep the gas going.

2235. Then it is partly for the comfort of your employés?—Yes, partly.

2236. Then on the next item, E. 5, there is an increase shown, though not a large one?—Yes; that is partly due to the fact that we do not get so much water from our well as we used to do, and partly to the fact that, the staff being increased, more water is used for flushing and also other purposes.

2237. Mr.

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[Continued.]

2237. Mr. *Jackson*.] Does not the use of hydraulic power at the chief office affect that partly, too?—Yes, partly, but not very largely.

2238. Have you made any fresh connections, and taken more water from the Hydraulic Power Company?—Not for telegraphs.

2239. Mr. *John Ellis*.] The whole of that increase of 800 *l.* upon the 1,800 *l.* is included in the explanation which you have given?—Yes.

2240. Then turning to the next page, page 133 of the Estimates on Sub-head F., Salaries and Wages, I see the increase in the salaries is very much larger proportionately to the increase in the staff?—Yes.

2241. I presume the same remark which you have already made applies in explanation of that?—Exactly the same applies there too.

2242. Does the same apply to Sub-head G.?—Yes. Sub-head F. is for London, and Sub-head G. is for the country.

2243. Then I notice that there is a new charge, Sub-head I., on page 135: "Compensation to railway officials for loss of poundage on sale of stamps;" will you explain why that new charge is put in?—It arises in this way: Until within the last few years the railway clerks were allowed a poundage upon stamps which were sold and placed upon the telegrams sent from the railway offices. A few years ago the Post Office abolished the poundage so far as paying poundage to its own clerks was concerned, and the railway companies were informed at the same time that the poundage to their clerks would also cease. The railway companies represented that their clerks had had this payment for a considerable number of years, since 1870; and although there was no legal claim to it on their part, the Treasury, after considering the matter, consented, as an act of grace, to allow the present holders of the poundage a sum to continue for five years, it being settled that it should only be given to those persons who were in receipt of poundage on the 31st of March 1883, and so long as they continued in the service of the railway companies. The whole of it will cease on the 31st of March 1892, and of course the amount will diminish each year. It cannot increase and it must diminish.

2244. Then, as I understand, this is a charge which appears in a different form as against an expense which used to be paid in another shape?—That is so.

2245. What proportion does it bear to the old charge; does it show a saving?—A very considerable saving.

2246. Turning now to Subhead K, there is a very large increase in the cost of "uniform clothing;" how is that accounted for?—That is attributable partly to the increase in the number and also to the circumstance that the biennial issue of overcoats to the boys falls in this year.

2247. Therefore next year that amount will be decreased?—Yes.

2248. Is that the whole reason for the increase?—Yes, that is the whole reason. You will find that this amount varies from year to year for reasons similar to that I have given.

2249. That is the only reason as I understand; no new regulations have been made with regard to the clothing?—None whatever.

2250. Then, taking the next item, Subhead L., Stores, I see the amount is precisely the same for the two years; will you explain how that occurs; is the sum put down there simply an estimate?—It does not vary very much now; it is very near the mark.

2251. Can you give the actual expenditure in the year before?—I have not got that here. I may perhaps mention, by way of explanation, that we are making more use of the sounder instrument and working the Wheatstone less, so that there is less Wheatstone and Morse paper used, and more of other articles bought under this Vote; the one goes against the other and the total remains about the same.

2252. Can you say from memory what the actual expenditure last year was?—Yes; it was very nearly 7,000 *l.* There is very little difference between the estimate and the actual expenditure.

2253. There is a good deal of change taking place, I suppose, as regards improvements and new instruments being made and other instruments becoming obsolete?—Yes; that is going on continually.

2254. Is there a rapid deterioration in things of that kind, and also in the way of instruments becoming obsolete?—The only instrument that has really gone out

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[Continued.]

out of use to a very great extent is the A. B. C. instrument, which was largely used on private wires where we now use the telephone. We continue to use the Morse printers until they are almost worn out, and then we replace them by sounders; but a great many clerks are able, even when they are using the Morse printer, to write from the armature, which makes a sound.

2255. You have been asked several questions with regard to the valuation and inspection of stores by the Auditor General: do you see any reason why such an inspection should not be carried out?—Only that he would have to have a technical staff to tell him what the stores were.

2256. Can you give us any estimate as to what the stores given on page 137 of the Estimates as worth 216,000 *l.* would sell for by auction; what do you value them at?—We could only sell a few of them to the railway companies. All those stores you will understand are for use. They are our stock to go on with for each year; they are being drawn upon continually, and continually replaced. For instance, to take poles. There must be two years before the poles are of any good to you. You contract for poles, for instance, we will say at the end of this year; then they are brought over to this country and creosoted the following year, and then perhaps you may use them at the end of that year; they would appear in this stock of poles.

2257. Of course the total value of stores would fluctuate according to the market value of the different articles, but you would not consider that amount as an available asset to be brought into the commercial account, would you?—If I had not got that stock I should have to buy other stock to-morrow.

2258. Do you value them at cost price, or have you any ideal in your own mind when you draw up that analysis of stores?—This total is partly made up of stores that have just come in, and those would therefore be valued at cost price.

2259. Mr. Jackson.] To put it shortly, they are taken at book value, are they not?—Yes, they are taken at book value; there is for a portion a depreciation put upon their value.

2260. Mr. John Ellis.] Then turning to Sub-head M., Superannuations and other Non-Effective charges, there appears a slight increase, that is regulated by statute, is it not?—Yes, by statute.

2261. That is an item beyond the control of those who manage the Department?—Yes, quite beyond their control; it is under the Superannuation Act of 1859.

2262. Therefore you do not consider yourself responsible for that item?—No.

SIR THOMAS BRUCE, R.N., called in; and Examined.

2263. Chairman.] You are the Commander Superintending on the Post Office Packet Establishment at Dover, are you not?—Yes, I am Captain Superintending; I have been Captain for some time.

2264. I think you receive the pay of a commander of 1 *l.* a day, and a special allowance of 75 *l.* a year?—Yes.

2265. And you have an allowance for lodging of 100 *l.*, and a victualling allowance of 28 *l.*?—Yes.

2266. Making a total of 568 *l.*?—Yes; I draw 568 *l.* from the Post Office.

2267. Then I think you have under you a messenger at 58 *l.* a year, a porter at 66 *l.* a year; and two boatmen at 146 *l.* a year?—Yes.

2268. And then there is a small charge in the Estimates for substitutes for officers absent through illness of 25 *l.*?—Yes.

2269. Making a total of 863 *l.* as the cost of your little establishment at Dover?—Yes.

2270. Will you make any statement you wish to make as to your duties, and as to the employment of the persons placed under you in that establishment?—Yes; I have received a memorandum from the Post Office, which I think was put

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[Continued.]

put before the Committee in the evidence of Sir Arthur Blackwood, and I made a few remarks upon that memorandum, which I should like to quote from if I may be allowed to do so.

2271. Will you please do so?—For the Admiralty I superintend the embarkation and landing of troops and stores.

2272. These charges to which I have referred are in respect of what you do for the Post Office, are they not?—What I do is mostly for the Post Office, but it is for the Admiralty besides.

2273. Are you separately paid for what you do for the Admiralty?—No, I was a retired officer, and was awarded 400 *l.* a year from the Admiralty when I retired; but that 400 *l.* is withheld from me while I hold a civil appointment. I draw 568 *l.* with one hand, and let drop 400 *l.* with the other. So that in the result I only get 168 *l.* for all I do, as I consider.

2274. The Committee on these Estimates is not concerned with the work you do for the Admiralty; what we want to know is the work you do for the Post Office; will you tell us in the first place what you do for the Post Office?—Yes. I attend every morning at the office, see the mail guard of the previous night, give him any orders that may be received from the Post Office, compare his way bill with the number of bags of mail actually received and given up. Should there be any discrepancy (which there often is) in the French lists, I trace it out, and afterwards send the papers to London for verification. I see the boatman of the previous 24 hours on duty, go over his list of telegrams, and correct anything that may be necessary. I have here a pier list for 24 hours kept by the boatman on duty, if you would wish to see it. Then my duties are also to inspect mail boats occasionally. Muster crews; lower boats; object to any one not English born; fire quarters, lights, masthead and side lights, &c., &c.; make passage over ten times a year with mails, which I do not think is enough, and I have suggested I should be allowed to go twice a month at uncertain times, but I received an answer from the former Chief Secretary that it would not be altered. These duties can only be done by a naval officer. Two boatmen are employed on the pier, day and day about, night as well as day. They were called boatmen at the time the Packet Service was under the Admiralty, but they never go afloat now, but attend to all embarkations and disembarkations of mails and parcel post, and record any irregularities for my information. It is highly necessary all these telegrams should be sent to London, so that there may be a sufficient staff ready.

2275. *Chairman.*] What telegrams do you refer to?—They telegraph everything up to London as soon as they leave Dover; they could telegraph the probable time when the mails are expected to be at Dover, and the time when the mails leave the other side. It is very important that those telegrams should be sent so that the staff should always be ready at Cannon-street to receive them, particularly when the Indian and Australian mails arrive, which are very bulky. Yesterday morning, for instance, they dispatched from Dover at 10.29 a.m., having arrived by special boat at 9.15 a.m., 318 sacks of Australian mails. You are, no doubt, aware that the service at Dover has immensely increased these last few years. There are now during the 24 hours six services out and six services home to and from Calais, and the like number from and to Ostend, besides a special boat every Friday night with Indian mail, and nearly every week one homeward Indian mail, all of which I have to superintend. There is also the parcel post to attend to, which is becoming a large item. When I first took up this appointment I had only one night mail out and the morning mail home under my supervision so you will see my duties have increased very much. William Martin, attached to this office as messenger at 22 *s.* a week, takes entire charge of the office, and makes copies of all returns and correspondence for reference; his office hours are from 10 till 4.30 p.m., and if I have any occasion to send him on a message I have to remain at the office myself. James McKen, foreign mail porter at 25 *s.* a week, has to attend every night in the mail van and count out all the bags; also in the morning, on the arrival of the mail, count the bags in the van; he has also, on the arrival and departure of the Indian and Australian mails, to count the bags in and out, and give the way bills to the mail officer.

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2270. *Chairman.*]

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[Continued.]

2276. *Chairman.*] What is the difference between the nature of his employment and that of the two so called boatmen?—The boatmen receive the mails and convey them by trucks backwards and forwards to the Ostend and Calais boats, and also the Parcel Post, and they take the way-bills of the Parcel Post and count them down into the ships, and when the companies' people get them out they count them into the vans. The other man does not leave the van till the mails are all out, and then he is answerable that the mails are clear.

2277. In fact the boatmen are porters, and the porter is not a porter at all as I understand?—The boatmen never were boatmen, and as to the porters I do not know what he was before he came to me, he was not much I should think; that is his duty now at all events. Then besides that there are three mail guards attached to my staff. They go over with the mails and come back with the mails: there is one out and one home, and one lying by; they keep journals, and as we run for fines and premiums to minutes and half minutes they are obliged to be pretty correct.

2278. Do I understand you to say that taking the amount which you receive upon these Estimates, the income which you receive is in respect not only of the work which you have described which you do for the Post Office, but also in respect of some work that you do for the Board of Admiralty?—Yes; I get nothing for that, the same salary does for both apparently.

2279. And you do some further work for the Admiralty?—Yes, I do work for the Admiralty, such as receiving Royalty in full dress upon occasions, and also distinguished personages, and I accompany them across the Channel sometimes. Last year, for instance, in the Jubilee time, I spent most of my time in full dress, and I may tell you that I took over three Kings in one boat; that is not an everyday occurrence, of course.

2280. And you got no remuneration for that, as I understand?—Nothing. My allowance according to my time at the Admiralty is 400 *l.* a year. I have served long enough to entitle me to that; but while I am in civil employment they would not let me have my 400 *l.* That is not the usual thing I may say, because there are 110 officers in civil employment who do get their retired allowances. I have been worrying Sir Arthur Hood to try to get it, but I can get no reply. I consider that I am doing both the services for 568 *l.* There was some discussion at the Admiralty about it, and I wrote to Sir Arthur Hood and said that as I had to appear so often in full dress, and had to keep three uniforms, I thought the Admiralty might find them for me; but unfortunately he did not take that view; and so I got nothing. Therefore I do not get much out of that allowance. I am not a highly salaried officer doing nothing. I am always at my place, as Sir Arthur Blackwood knows. If I was not there the thing would not go on; it could not go on properly because I have no staff at all that could look after it. There are 12 services through Dover day and night, and I make a point of attending on the pier once a day. Then once a week there is the Australian and Indian night mail, and then once a week the early morning service for Australia and India, and I go down to meet those mails; that is in addition to the ordinary French and Ostend mails, and I have to keep the fellows up to the mark, otherwise the work would not be done. I heard that there were some complaints that. I never appeared on the pier except on Sundays, but I may say I am not a Sunday bird at all, and I never go down on the pier on Sunday except an Indian mail comes in, because I think Sunday is a day of rest.

2281. *Mr. Heneage*] Why do you say that you think only a naval officer could perform this work?—Only a sailor could do this work, and I think probably the company would not like, and the men would not like, to have a man doing this work who was not an officer; I say that only a sailor could do it, because he would have to look after the tackle, and so on, and the unhooking of the boats; and he should also be an officer, because only an officer could see that the men were doing their work properly. It is more the work for an officer because you want a man in that position to carry weight with the other men. When I go on board I expect the men to pay attention to me, and it would not be easy for an ordinary sailor to superintend the work.

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[Continued.]

2282. Some of these duties which you have to perform, as I understand, are duties rather of a naval character, and have nothing to do with the Post Office?—All my duties have to do with the Post Office; the Post Office order me to inspect the ships, and I go on board and superintend the packet service for the Post Office, and not as an Admiralty superintendent.

2283. Could not any other officer, who happens to be at Dover, go over the ships and inspect them without a resident officer being necessary?—There is no other naval officer at Dover, except the coastguard, who is a second master of a lower rank.

2284. Then with regard to the other duties, such as meeting the mails and looking after the guards, could not a Post Office officer do that work just as well as a naval officer?—Which part of my duties do you mean?

2285. You stated that you had to meet the mail guards, and hand the mails over, and make the journey over to Calais ten times a year, and to see that things went on regularly; is not that more the work for an experienced Post Office officer than for a naval officer?—I do not know. The work is all lumped together into one, and I have to do the one with the other.

2286. Mr. *Richard Chamberlain*.] Would you just tell us why these duties of examining ships, and so on, are necessary in the case of the Channel Service, and not in the case of the Atlantic and other Services?—That is hardly a question for me to answer; my superior officer could speak to that better than I could.

Tuesday, 8th May 1888.

MEMBERS PRESENT:

Mr. Arthur Acland.
Mr. Preston Bruce.
Mr. Richard Chamberlain.
Mr. Dixon-Hartland.
Mr. John Ellis.
Mr. Hankey.
Mr. Henniker Heaton.

Mr. Heneage.
Mr. Jackson.
Mr. Mowbray.
M. J. F. X. O'Brien.
Mr. David Plunket.
Mr. Stansfeld.

THE RIGHT HON. JAMES STANSFELD, IN THE CHAIR.

MR. CHARLES HENRY BENNETT PATEY, C.B., re-called; and further Examined.

2287. Mr. *John Ellis*.] My first question has reference to page 137 of the Estimates of this year, Sub-head O. I notice the sum of 99,000 *l.* in this year's Estimates is almost identical, with the exception of 500 *l.*, with that of last year? —Yes.

2288. Can you explain why, with the increasing business that you have spoken of in relation to the other Sub-heads, there is no increase taken under that Sub-head?—Under Sub-head O. 1, for Extensions, we have found that the sum of 10,000 *l.* has nearly been expended each year; and as that has happened in the two previous years, we have taken a similar amount for this year.

2289. Then the extensions are, relatively to the existing wires, less each year? —Yes. The Post Office has now extended the telegraph to a very large number of places throughout the United Kingdom, and, consequently, relatively the extensions are smaller each year. The greater proportion of the extensions are now made under guarantees from persons interested in the extensions. Under Sub-head O. 2, a similar sum has been taken to that taken last year; that sum is to provide for re-arrangements of existing plant, or for putting up new wire or new apparatus on existing plant between towns already served. Before this estimate is made, the various surveyors and postmasters throughout the United Kingdom are called upon to report between what towns there may be any delay, or whether further accommodation is required for the public service; and the amount of the estimate is made up from a revision of those reports after they have been passed by the Postmaster General. As it happened in this particular year, the amount has come to very nearly the same figure as in the previous year. Then, as regards Sub-head O. 3, Private Telegraphs, the amount included under that head in the Estimates, is for the provision of private wires. We have very nearly expended the sum of 35,000 *l.* last year, and we believe that a similar sum will be wanted this year. Under Sub-head O. 4, we found that last year the provision was a little in excess of the requirements of the railway companies, and we therefore reduce the amount this year by 500 *l.* Then under Sub-head O. 5, Government Departmental Telegraphs, we have taken the same sum as last year.

2290. Of course the item would be increased even for the same work, if there was any general increase in wages and cost of material throughout the country?—Yes, because a portion of the sum under each Sub-head is on account of wages; it is subdivided.

2291. If we emerged from this long-continued depression, that would have an influence upon the expenses of your Department, under this particular Sub-head, and the amount would not cover the same work by any means?—Certainly not;

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Mr. PATBY, C.B.

[Continued.]

not; and in future years, in all probability, the amount to be taken under this Sub-head will be considerably in excess of this.

2292. I was just coming to that point; you are not prepared to say that, looking forward to three or four years, 100,000*l.* a year would be anything like the sum required for Sub-head O?—No, and for two reasons. It may be that a larger sum may be required on account of the increase of business; and further, a considerably larger sum may be required on account of the necessity of placing the wires underground instead of overground, as at present. We have between London and the North occupied nearly all the main roads. It is possible we may be able to get one, or perhaps two, lines to the North by fairly-sized roads, but beyond that I am afraid there would be a very great difficulty in finding space to put up new poles with wires upon them; so that the extension after a few years' time of the system must be made by laying down an underground system, not in substitution of the present overground system, but in addition to it.

2293. Taking it per thousand yards or per mile, is the underground wire more costly to construct than an overhead wire?—Yes, about ten times as costly at the least.

2294. I presume the wear and tear and maintenance of underground wires will not be so costly, will it?—Yes, on the average we find it is not very much less; it is very nearly the same. You may take it that the cost of the first wire would be 35 *l.* a mile on the overground, and from 300 *l.* to 350 *l.* for an underground wire, according to the nature of the road, the pavement of the road, and so on under which it is placed.

2295. That would come to a large sum; how many miles of extension are allowed for each year?—I could hardly say; they are upon existing poles for the most part.

2296. Could you give us a rough estimate of how many miles of extension would be allowed for in the Estimate of this year?—No; I did not make it up.

2297. My point is this: if you are going to do the thing hereafter in a way which will cost ten times as much as the same thing now, it is a very important element to know how much you are doing that particular thing now?—It must be borne in mind that at the present time we only erect wire where it is necessary for the traffic.

2298. How much of this 99,000 *l.* is due to the extension of wire?—Practically all the amount for extensions is due to that.

2299. If that is for work that is going to increase each year at a tenfold rate, nothing like 100,000 *l.* will suffice in the future?—The time when it will be necessary to put down a large sum may be some years yet. It is only on the main lines that we should have to put underground wires, because we cannot get room overground. Over a very large portion of the system there is room to place many additional wires overhead; and therefore it depends altogether upon what places you have to give the additional accommodation to.

2300. Still I may take it as a matter of fact that in future there is looming this enormous increase of expense per mile, or thousands of yards of wire?—Yes, in the future; and the time when that will come will depend upon the amount of business that the Department has to transact.

2301. The earnings of the traffic over that wire which is going to cost ten times as much as it does now, will in no way increase in the same proportion; that is to say, you will not charge any more per word or per hundred words, whatever the cost of the wire may be?—Not unless the loss is so great that we have to get another Act of Parliament to cover the cost.

2302. You are now introducing another element?—Quite so.

2303. But as things now stand, the means of conveying the message may in future years cost ten times as much as at present?—That is only as regards the first capital outlay.

2304. Quite so; I am speaking only of capital expenditure. On the other hand, the traffic carried by those wires will not, of course, bring in any higher rate?—No.

2305. When you are making provision for laying wires underground, the first outlay may cover the provision for 100 wires in the same place, may it not?—No. The first provision would not include room for more than 75 wires, if quite so

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many. The first cost which I mentioned of 35 *l.* and 350 *l.* for the overground and underground wires respectively is really for the first wire. After that the underground will, *per se*, cost more than each wire overground, but not to that full extent.

2306. The initial cost is, in fact, ten times as much for the first wire underground as it is for the first wire overground?—Yes, and it may be more.

2307. Now I will turn, if you please, to the commercial account, as we called it at the last sitting, for the year ending the 31st of March 1886–7. Taking the division headed I, Capital Account, first, this sum of 10,140,000 *l.* is the total amount, as I understand, that has been raised on capital account, and corresponds with the sum on page 4 of the Parliamentary Paper, No. 26, of this Session; is that so?—Yes.

2308. It is there stated as 10,131,129 *l.*?—Yes, with a balance of 11,416 *l.* making up the difference.

2309. With regard to that 10,140,000 *l.*, that is bearing interest, is it?—Yes.

2310. On Return 31, page 3, of this Session, there is a sum of 10,880,571 *l.*?—Yes.

2311. Which is the sum of the two I had mentioned which is bearing interest?—The 10,880,571 *l.*

2312. Exactly. That is a portion of the National Debt, in fact?—Yes.

2313. And the taxpayers of this country are paying the people who have lent the money interest on it?—Yes, the amount shown in the third column of that Return 31, viz., 326,417 *l.*

2314. Then why do you not put down in your capital account the sum which is now bearing interest, viz., 10,880,571 *l.*?—Because it is the amount we paid for the stock that is taken there.

2315. Will you simplify that a little?—The figure in this account is the amount that was paid. The 10,880,571 *l.* is the nominal amount of stock.

2316. Now turning to the second item in the same column of the capital account in your commercial statement, 1,951,894 *l.* is the further capital required, if all the expenditure in the nature of capital had been charged to the capital account?—Yes.

2317. That is, to say, if you had been allowed to charge all costs of sites and buildings, and everything which you consider capital, it makes up that amount?—It makes up the twelve millions and odd at the bottom of the column.

2318. It makes up that 1,951,894 *l.* in the first place, does it not?—It is put in as the balance on the second side.

2319. Is it put in merely to balance, or as the sum which you say would meet all that expenditure?—Practically it is the same thing, because it is made up in the same way.

2320. This is an account made by yourself; I understand it does not necessarily correspond with the accounts in the Estimates?—It does as nearly as possible, because all the items are taken from the Parliamentary Papers to which you have referred.

2321. Are the items taken from those accounts or from your Department?—We have made, as appears under heading No. 3 in this commercial statement, various deductions on account of that first account.

2322. Then the 12,091,894 *l.* is, in your opinion, a fair sum to cover all the outlay on the whole Telegraph Department under your control since its commencement?—Yes.

2323. It is the capital sum, in fact, of the Telegraph Department?—Yes.

2324. Now will you kindly turn to the other side, the creditor side of that capital account; there are four items there?—Yes.

2325. The first is 10,130,820 *l.*?—Yes.

2326. The second is 1,258,307 *l.*?—Yes.

2327. The third is 319,456 *l.*?—Yes.

2328. And the fourth is 20,944 *l.*?—Yes.

2329. Do they add up to the total underneath them?—These figures do not.

2330. Perhaps you will explain how that is?—They were intended to do so; I think it must be an error in the copying.

2331. As it stands, this is not quite accurate?—No, I see that it is not.

2332. As much of what I was going to ask you depends upon these figures, perhaps

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perhaps you would at once correct them?—I think that I shall be able to trace it in a moment. You will see there is an item that has been missed out, namely, the cost of buildings. I will put that in at once. I think we may take it that is the sole difference; I will put that in; it is 362,367 *l*.

2333. Will you put it in its right place?—That would be the third item.

2334. Opposite what would it come?—Opposite “Cost of the Buildings, &c., charged to Telegraph Department.”

2335. That does not seem to appear here at all; let us go by steps. We have got the first two items right, I think; there is no correction to make with respect to the first two items of 10,130,000 *l*. and 1,258,000 *l*.?—No, but then after “Cost of Extensions charged to Telegraph Vote to same date,” should appear the heading “Cost of Sites and Buildings, ditto.”

2336. And what sum should appear opposite?—£. 362,367.

2337. That should be the third item?—Yes.

2338. What would be the fourth item?—The cost of buildings, &c., charged to the Vote for Revenue Department Buildings to same date.

2339. Now the account is quite right, is it?—I think it is.

2340. In this account (I am speaking of Capital Account, No. 1) is there any sum whatever charged for depreciation?—No.

2341. The figures relate simply to the price paid for the sites and cost of buildings, and everything that is there indicated?—Yes.

2342. That is the money that was absolutely paid, without any regard to the present state or condition of the buildings or works?—That is so.

2343. Now, turning to Account No. 2, on the debtor side, there appears, according to page 2 of Return 13, to have been a very considerable augmentation of income; there has been under the 5th column of that Return an enormous and continuous augmentation of income?—Yes.

2344. And the income you have put down in the second table of this commercial statement practically corresponds with that on page 2 of Return 13, does it not?—Yes.

2345. Turning to the other side, there has, of course, been a considerable increase in the expenses?—Yes.

2346. Have you charged any depreciation in No. 2 of this commercial statement, as regards expenses, except in the case of the cable?—No.

2347. You admit the principle by charging it for the cable, why do not you charge it against anything else?—Because in the case of buildings, and so on, the maintenance is practically maintenance and renewal, as it is with ordinary plant; that is to say, the sum expended over buildings, as over maintenance of ordinary works, sufficient to keep them up to the highest mark, is spread over the year; whereas in the case of cables you are unable to do that. A cable, for instance, may be broken, you are not able to spread the cost over a series of years, but you have to put by a certain sum for the absolute renewal of the cable, the cost of taking up the old cable and putting down a new one. You are not able to spend a sum year by year as the cable gets old, as you might do in the case of buildings.

2348. You would suggest that as regards that expenditure of 1,796,760 *l*., in the year ending 31st of March 1887, and similar sums in previous years, all of that which is represented by the twelve millions sterling in the account just above, is in precisely as good a condition and of as good value as formerly; is that your contention?—Yes.

2349. Do you think, when you speak of this account as a “commercial statement,” that that contention would be accepted by anyone in an ordinary commercial establishment?—In telegraphs I think it would. We are following here the practice of the Electric Company, which was one of the largest of the telegraph companies. In order to carry out the public service efficiently, it is absolutely necessary you should keep up your plant to the highest state of efficiency.

2350. Now turning back to page 2 of Return No. 13, I want just to bring out one or two striking points. In the year ending the 31st December 1870, the total receipts from the Post Office Telegraph Service were 612,301 *l*.?—Yes.

2351. In the year ending the 31st of March 1877, they were 1,328,315 *l*.?—Yes.

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2352. And in the year ending the 31st of March 1887, they were 1,887,159 l.?—Yes.

2353. Turning to the expenditure in the same year, in the year ending the 31st of December 1870, the expenditure was 350,376 l.—Yes.

2354. In the year ending the 31st of March 1887, the expenditure was 1,208,401 l.?—Yes.

2355. And in the year ending the 31st of March 1887, the expenditure was 2,032,632 l.—Yes.

2356. Therefore, although the receipts show a great augmentation in the years which I have compared, the expenditure shows a greater augmentation?—Yes.

2357. And as a matter of fact, during the last years given in this Return, namely, the years ending the 31st of March 1884, the 31st March 1885, the 31st March 1886, and the 31st March 1887, there has been a very considerable deficiency in comparing the receipts and expenditure?—Yes.

2358. In the commercial statement you have presented to the Committee, Table No. 2 shows, as it is made up, a return on a capital of 12,000,000 l., of about 12 s. per cent., or 12 s. 7 d., I think?—Yes, for the last year.

2359. For reasons which may be good or bad (I am not entering into their merits), there was no provision made in your Department for any capital account in making up your accounts, I believe?—None.

2360. You charge all the sites and buildings, and everything?—Yes, after a certain date. To a certain date, the 30th September 1873, they were not charged in that way. Since the 30th of September 1873, as appears in the "Explanatory Notes" of this commercial account, the amounts of 1,258,307 l. and 362,367 l. were entered as expended in respect of extensions and cost of sites and buildings.

2361. At all events, for 12 or 14 years, there has been no such account?—Not since 1873.

2362. Therefore, before we can form any commercial idea (to use the expression you have used) of the accounts of the Post Office, we have to carefully separate capital and expenditure?—You have more to do than that, because in the first year's account certain charges were not paid. We had not then settled with the railway companies for wayleaves, for instance, and there were also pensions charged to the capital account which had not been fully settled. Consequently you require to have an explanation for almost every year from the beginning, in respect of sums not charged, in accounting for the difference in cost consequent upon the increase of business.

2363. Now, returning again to this page 3, the Return No. 31, I want to call your attention to this: you have given the total sum bearing interest as 10,880,571 l.?—Yes.

2364. The interest on that for one year was 326,417 l.?—Yes.

2365. But the receipts of the Telegraph Department are by no means sufficient to pay any interest upon that sum, therefore there is a yearly deficiency?—For the last four years that has been so.

2366. For rather more than four years, is it not?—No; previously to that time, although we did not pay the whole, we paid a certain portion of it.

2367. I am aware that before that time the receipts exceeded the expenditure, but the excess of receipts over expenditure was insufficient to pay the interest?—It was insufficient to pay the whole of it, but it paid part.

2368. I mean that the receipts have not been sufficient to pay the whole interest; therefore there is a yearly deficiency extending over a long period?—Yes.

2369. At the bottom of page 3 of Return No. 31, the sums of those deficiencies are given, I think?—Yes.

2370. And I see there, "Deficiency of Telegraph Revenue" to meet expenditure, and the interest on telegraph stock created in the year ending 31st March 1881, 471,889 l.?—Yes.

2371. But there are other items lower down which go to make up the total deficiency to 3,024,899 l.?—Yes.

2372-3. Now

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2372-3. Now will you say whether there is any reason why, if this is really a commercial account, that deficiency should not be added to the 10,880,571 *l.* Let me put it in this way: the 3,024,899 *l.* is the loss?—Yes.

2374. If there were a profit and loss account opened in your Department, that would be to its debit; it would be a loss over a series of years?—According to the mode in which these accounts are made up.

2375. Do you suggest that they are not correctly made up from a commercial point of view. My whole examination is based upon the word commercial?—The account in this Paper is not made up on commercial principles.

2376. Do you suggest that this account in Return 31 is not made up commercially?—Yes.

2377. Do you suggest that really there has been no such loss as 3,024,899 *l.*?—I do.

2378. Will you explain why you say that?—Because this account, which is called "Account on commercial principles," shows more clearly what the business would have been if it had been carried on on commercial principles instead of being carried on as the accounts are made up in Paper No. 31.

2379. You say if Paper No. 31 had had the capital and revenue properly distinguished, as is done in the account on commercial principles, there would not have been so great a loss as is shown on page 3 of Return 31?—Certainly not.

2380. If you had taken out of revenue certain sums and added them to capital, would you have increased the amount of the interest every year that would have to be paid?—Yes, certainly; and in the commercial account regard is had to that point.

2381. In fact, you prefer to adhere to your own commercial account rather than to the suggestion that there is any such loss as this?—Yes.

2382. You say that that loss is at once explained, and is not a commercial loss?—Yes.

2383. In fact, we come back to this: you say that the total capital account is 12,091,894 *l.*?—Yes.

2384. Now, still continuing on the commercial basis, is not the general result of my examination and your replies this: that you have a largely-increasing business?—Yes.

2385. But that that is done at a greatly augmented cost per message or per thousand words; do you accept that?—Taking the Return which I was asked to prepare by the Honourable Member for Northwich, I think that is hardly borne out, inasmuch as taking the salaries as against the number of messages, I find in 1883-4 there were 37 messages for each 1 *l.* of salary paid, whereas last two years there has been 44 and 43.

2386. That is only as regards the one item of salaries?—Yes.

2387. Do you say that the same thing obtains with regard to other items?—I think it does nearly, though not quite so strongly.

2388. I am, of course, only anxious to get at the facts. I understand you do not admit my suggestion that you are carrying on the telegraph service at a greatly increased cost per work done?—Taking last year and the previous years, where we have had to carry messages for something approaching half the sum we received previously, while at the same time the public have expected us to maintain the rapidity of transmission, there has been an increase of cost per message, but that has been partly brought about by the large sums which have been charged against the revenue on account of the extensions and various other items which we consider are really on Capital Account; and although in the last year, even upon the Capital Account, there has been a larger expenditure than in the previous year (that is to say, a less dividend could have been declared), I am not certain that that need necessarily go on in subsequent years.

2389. That is not my question. I want to keep you to the point I am upon. Do you admit or not that per message the cost has been rising. We will take the explanation of it in a moment?—The cost per message has, I think, not been rising over the whole period, that is to say, the cost per message is not quite so much now as it was a little time back.

2390. Perhaps I did not use the right word when I say per message; I mean, taking whatever unit you like of service rendered, is not the cost rising?—No.

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2391. I am

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2391. I am speaking, you understand, now of the cost in your returns. Why is there a deficiency in the income?—Because the Government decided to give the lower rate of sixpence instead of a shilling as a minimum, with the knowledge that there would be, at the beginning, a loss approaching 180,000 *l.* per annum.

2392. But during my examination of all these Sub-heads you have admitted that the cost of wages and salaries is rising from two reasons, and that the cost of other items is rising also; do you still adhere to your answer that the cost per item of work done, whatever it may be, the cost per unit of work is not rising in the Telegraph Service?—I do.

2393. Then we need not go into any examinations as to whether the increased cost, which you do not admit to exist, is due to charging extensions?—They are charged now as they have been for many years past.

2394. I am quite aware that you cannot look upon the Post Office Telegraph Service from a commercial point of view purely?—Quite so.

2395. You spoke in your previous answer of some change in the action of the Treasury with regard to extensions?—Yes.

2396. Will you kindly explain what you referred to a little further?—Soon after the transfer extensions were made to offices without very great regard as to whether the actual extension would pay or not. When in 1873 it was found that there was a very large increase in the cost of the Telegraph Service, it was then decided by the Treasury that extensions should not be made to offices, unless it could be shown that the receipt from the individual office would meet the expenses incurred at that office.

2397. I gather that there has been a change of policy on the part of the Treasury recently?—No; that took place several years ago.

2398. Can you fix the date at all; was it four or five years ago?—I think it was about 1873, about 12 years ago; I think it was rather before 1876.

2399. A change 12 years ago would not arise from the figures of the deficiency which appear upon these accounts?—No, not to the deficiency after that time; I think the change took place when the inquiry was made into the Telegraph service in 1873.

2400. Do I understand that the Treasury, and the Postmaster General, the heads of departments, Sir Stephenson Blackwood and yourself, had regard, in any extension of the Telegraph Service now, to the fact whether it will be remunerative or not?—Yes.

2401. You consider two things in fact; two opposite factors, if I may use the expression, the convenience of the public and the commercial basis?—Yes.

2402. And you try, as far as you are able, to balance the two?—We do.

2403. You think that it would be very dangerous to consider only the convenience of the public, irrespective of whether the extensions are remunerative or not?—I think it would. In the case of the extensions, for instance, to the far west of Ireland or parts of Scotland, the expenditure would be very great, and the receipts would be excessively small.

2404. In fact, if the public convenience only were considered, we might have the whole cost of the Telegraph service on the Estimates?—Certainly.

2405. And very soon?—Very soon.

2406. I have put the question to you, because I understand that you have all the Telegraph Service under your control (subject to the control of Postmaster General and Sir Stephenson Blackwood), and I understand you to say that your policy is not determined only by the consideration of public convenience; is that so?—Certainly. We have in each case to show to the Postmaster General and to the Treasury that an extension to a new place, or the addition of wires between towns, with their existing offices, is necessary for public convenience, coupled with an estimate that the extension is sure to pay.

2407. Do you regard this figure of 471,889 *l.* deficiency of telegraph revenue to meet expenditure in the year 1887 with some alarm?—I think that is less than we expected it to be, having regard to what our estimate was of the loss occasioned by the sixpenny rate.

2408. Are you hoping to get back to a state of things when the deficiency will disappear?—I think we shall do better than we did last year.

2409. Mr. Richard Chamberlain.] With regard to the commercial statement that

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that you gave us on the last occasion ; you say that you think that because the buildings are maintained in a proper state of repair, therefore it is unnecessary to allow for any depreciation ?—Yes.

2410. And that they will last for ever ?—Well, our business increases so largely that, unfortunately, we have to expend large sums of money for purchase of new sites or additional sites, and for the erection of additional buildings, so that the buildings have been kept up efficiently with the sum of money for repairs that has been spent upon them ; I am afraid that expenditure will continue in the future.

2411. Probably the life of a telegraph building is not as much as 30 years ?—Quite so ; and before that time, I am afraid, in all our large towns, we shall possibly have to make great alterations and great additional expenditure, which will put that building in, practically, the state of a new building.

2412. Precisely so ; and that will be charged afresh to capital ?—In the Commercial Account it will be charged against capital ; in the other accounts it will be charged against the Vote.

2413. I suppose you rent some of your buildings ?—Yes.

2414. You rent, we will assume, a building at 1,000 *l.* a year ?—Yes.

2415. That 1,000 *l.* a year would be charged in the second account in your Commercial Statement, under this item of "Salaries, wages, maintenance," 1,796,760 *l.* ?—Yes.

2416. Then if you buy a site and erect a building upon it in place of that building which you are renting, you make an apparent saving in maintenance of 1,000 *l.* a year ?—Yes.

2417. Is that commercial ?—No ; but we charge the interest upon that in this account.

2418. In this Commercial Account ?—Yes.

2419. Where ?—It enters into the cost of sites and buildings, making up the total of 12,000,000 *l.*, and odd. The balance of profit therefore goes down, because the capital expenditure has increased.

2420. Surely that is not so ?—I mean that although the balance available for interest is greater in itself, the ratio is less.

2421. You said, in reply to the honourable Member for Northwich, that the profit was larger than it appeared by the amount of your stock in hand ?—Yes.

2422. Your stock is 216,000 *l.* ?—Yes.

2423. You did not mean by that to say that your stock is 77,000 *l.* plus 216,000 *l.* ?—No, I did not mean that ; but over and above that 12,000,000 *l.* there, is stock representing a certain amount in our hands.

2424. Your stock has increased from 207,000 *l.* in 1886 to 216,000 *l.* in 1887 ?—Yes.

2425. How was the extra 9,000 *l.* charged ; was it in the Revenue Account or in the Capital Account ?—In the Revenue Account, unless you are speaking of the account on commercial principles.

2426. And speaking of the account on commercial principles ?—It would still be in the Revenue Account, because that stock is not put to any use at present. If you take the third table in this Commercial Statement you will see "Amount charged to Telegraph Vote, as per Appropriation Account," is put down at a certain sum. That is the first item, and then there is a deduction for "telegraphic extensions," which is only made when the expense of putting up the plant is paid for. Therefore if plant is bought in the first instance it would be paid for under the first item, and not deducted under the second item, because it has not been brought into use.

2427. Suppose you lay a new wire between London and Birmingham, you require 100 miles of wire out of stock (if you have it in stock) with a couple of instruments at either end, and thereupon those instruments are taken out of stock and added to the capital expended ?—Yes, in this Commercial Account they are put under the first item, and then, when they are used, taken out of stock under this deduction below, under the word "less."

2428. The first purchase is added on to the revenue ?—Yes.

2429. That being the case, as you have increased your stock out of revenue by 9,000 *l.*, your profit is fairly to be increased by that 9,000 *l.* ?—Yes.

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2430. Strictly

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[Continued.]

2430. Strictly speaking, of course, you ought to show on the debit side the stock in hand at the beginning of the year, and on the credit side the stock in hand at the end of the year?—Yes.

2431. Because another year it might be less?—Yes, very possibly it may be less next year.

2432. You said that you were doing an increasing amount of work for the railway companies in the way of free telegraphic messages?—Yes.

2433. And you said, what I can very well believe, that the railway companies found that a very convenient way of communicating between their different stations?—Yes.

2434. Would it not be wise to bring forward a scheme for compounding all that at once? That scheme was proposed in 1876, and the Committee that then sat did not recommend its adoption.

2435. Is not that a very serious burden?—Yes.

2436. There is no temptation towards economy on the part of the railway companies at all, is there?—None.

2437. And you have not thought fit to make any representations to your chief upon the subject to raise the question again?—It has been spoken of on many occasions since 1876, but the Committee seemed so opposed to it.

2438. What Committee do you refer to?—The Select Committee of the House of Commons on Telegraph Accounts.

2439. That was before it began to grow to such an extent, probably, as it has now reached?—It was beginning to grow then.

2440. It seems to me a most wasteful arrangement, and necessarily so?—It was done in this way: that in giving the railways the free service, no doubt a certain amount of capital was at that time saved. Taking 1871 (the first complete year after the transfer) there were 97,000 messages, in 1876 the number had risen to 196,000 messages, and now it is 961,000 messages.

2441. If you brought the matter forward, I presume your suggestion would take the form of a payment to the companies in consideration of their paying a small charge for messages in future, in order to induce economy in the use of the wires?—I think it would be better, if you are dealing with the matter at all, to extinguish the right of sending free messages altogether, and charge the railways the public rate. Even if you charge them half rates, it is an inducement to send a little more.

2442. You would have to pay so much more compensation in that case?—Yes.

2443. A very small charge of a few pence would make the companies careful about the number of messages which they forwarded, whereas at present it is the cheapest way of communication; it saves postage stamps and delivery, and everything?—Yes.

2444. Amongst the increased charges in the Summary in the Estimates appeared one for the electric light, about which you were questioned?—Yes.

2445. Have you ever considered the possibility of substituting the electric current so generated for that developed by ordinary batteries?—Yes.

2446. That has been under consideration?—Yes, that has been tried, but it is not satisfactory up to the present time.

2447. With regard to the question of superannuation, I should like to ask you the question that I asked Sir Arthur Blackwood; do you see any objection to re arranging your salaries, so that there should be a compulsory deduction from every one, without loss of salary, to cover the superannuation allowance?—I think I must answer that question by saying that that was the plan; and it was decided that the present plan should be adopted in its place.

2448. Thus making the superannuation allowance somewhat unpopular with the public, and at the same time making it appear that the salaries that you pay are less than what they really are?—It might be argued in that way.

2449. Your superannuation allowance, I think, is worth an addition of four or five per cent. to the salaries; so that a man receiving a salary of 100 *l.* a year with a right to superannuation is in reality receiving about 105 *l.* a year?—I have not worked it out; of course, it would be an actuarial calculation, and I have not gone into it.

2450. So

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[Continued.]

2450. So that on the one hand you do not have the full credit for salaries you pay in effect; and on the other hand the officials are sometimes unpopular with the public on account of this pension, which they receive when they cease to be able to return service to the public departments?—Yes.

2451. I think that the honourable Member for Canterbury asked for certain returns from the War Office, the Foreign Office, and other offices; have you that return here?—I have a statement here, showing the amounts paid by Government departments through accounts opened with the Post Office in respect of telegrams sent by cable companies during the year ended 31st December 1887.

2452. Will you hand in that return?—Yes. (*The same was handed in.*)

2453. *Chairman.*] Will you also hand in a return which you have made for the honourable Member for Northwich, showing the number of messages and the amount paid for salaries and wages of the Telegraph Service for the years 1879 to 1887?—Yes. (*The same was handed in.*)

2454. *Mr. Jackson.*] As regards the Commercial Statement, as you have called it, you debit in Table 3 certain expenditure which is borne on the Votes for other departments, such as the Revenue Department Buildings and the Stationery Office, and so on?—Yes.

2455. Do those items represent the whole of the expenditure or the whole of the charge which is borne by those departments on behalf of the Telegraph Vote?—I think so.

2456. Now just let us take one example. The Office of Works, I think, negotiate for sites, do they not?—In conjunction with the Post Office.

2457. They prepare the plans and make contracts for buildings?—Yes.

2458. Is there any charge to the Telegraph Vote (I am speaking of the Telegraph Vote simply because we are upon that Vote; the same would apply to the Post Office Vote) for architects and surveyors, for instance, and staff and rent of buildings, and the proportion of fixed expenditure which the establishment of the Office of Works and the other establishments would have to bear if they were treated as commercial concerns?—I am not able to give a complete answer to that question, because these figures are supplied to us on yearly application to the Office of Public Buildings.

2459. I wanted to put a question upon the Civil Service Estimates, but I will leave that point for a moment till we have got a copy of the Civil Service Estimates here. Now, coming to this Account No. 2, the Revenue and Working Expenses Account, if this were dealt with, as it would be dealt with in ordinary business, I suppose there would be charged to this account the stock in hand at the beginning of the year?—Yes.

2460. And the account would be credited with the stock in hand at the end of the year?—Yes.

2461. And that might cause a considerable variation?—It has varied by 9,000 *l.*, I think, this year.

2462. Is it 9,000 *l.* more or 9,000 *l.* less?—The stock is 9,000 *l.* more this year.

2463. That is the stock at the end of the year?—Yes.

2464. Therefore that would be to the credit of the account, and make the account look so much better?—Yes.

2465. When you speak of a charge for interest, what would be the effect upon this account, supposing that you were working on borrowed capital on which you had to pay interest; you have got a capital of 12,000,000 *l.*, have you not?—Yes.

2466. Would it be possible for an ordinary commercial undertaking to get 12,000,000 *l.* of capital without paying anything for it in the way of interest?—Certainly not.

2467. And, therefore, even if you got the 12,000,000 *l.* capital, at 3 per cent. interest, you would have to debit your working expenses with 360,000 *l.* a year additional, would you not?—Yes.

2468. Therefore that would turn this supposed balance of profit of 77,000 *l.* available for dividend or for a reserved fund into an actual deficit of very nearly 300,000 *l.*?—Yes.

2469. And that would be a much nearer approximation to a correct statement

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[*Continued.*]

ment than the present one, dealt with on commercial principles, would it not?—Except that I think this account is only reversing it, and putting it the other way, namely, that we do not pay 360,000 *l.* but only 77,000 *l.* towards it in the way of interest on capital, that is to say, instead of paying 3 per cent. we show that we pay '63 per cent.

2470. In other words, when you show a profit of 77,000 *l.* a year on what you call a commercial basis, you have the advantage of working with a capital of 12,000,000 *l.*, on which you pay not a shilling?—Yes; but that is shown in the account here, just as the chairman of a commercial company would say, "Our profit for last year will be only 77,000 *l.*, which enables me to declare a dividend of '63 per cent."

2471. True; but when you speak of a charge for interest there is no interest charged upon the capital?—No, there is nothing shown in this Commercial Account as interest; it simply says "balance of profit," being the full amount available on commercial principles for dividend on capital, or for a reserve fund.

2472. Therefore treating it from a commercial point of view you make a profit of 77,000 *l.* a year on a capital of 12,000,000 *l.*?—Yes.

2473. Which in ordinary commerce would not be considered satisfactory?—No; but in an ordinary business, persons would not have taken messages at the tariff of 6 *d.*

2474. Is that so; was not there a sixpenny rate when the Post Office took the telegraphs over?—No, it was a shilling.

2475. Was there no company taking sixpenny messages?—Only in London itself.

2476. Was there not a company called the United Kingdom Company that took messages at 6 *d.*?—No; it took them at a shilling.

2477. Surely there were some sixpenny messages, were there not?—Only in London, and there was a charge for delivery beyond the limit of a quarter of a mile from the office; and as regards these sixpenny messages in London, the average cost was considerably over a shilling for each of them.

2478. Now I have got a copy of the Civil Service Estimates; I find in the Estimates for the current year a statement giving the charge to the Post Office Telegraphs for several years. I will take the year 1886-87. In the charge which is borne on the Stationery Office Vote the items appears for 1886-87 of 22,257 *l.* for printing, and 10,639 *l.* for paper and other supplies, making a total of 32,896 *l.*?—Yes.

2479. According to this statement, that charge is for "printing," and "paper and other supplies" only?—Yes.

2480. But you are under the impression, as I understand, that there is, in addition to the actual expenditure by the Stationery Office on these supplies, a charge of 10 per cent. to cover office expenses?—Yes; and that I think is borne out by this statement which I have received from the Stationery Office, because they state that their charge to us is 35,259 *l.* for 1886-87.

2481. Do you know if the same rule applies to the Office of Works for their architects' time and the staff generally?—No; I do not know.

2482. Or for their surveyor?—I do not know.

2483. You were questioned about a change of policy at the Treasury. There was no change of policy at the Treasury, I take it, which was not initiated by the Post Office?—I think it came more from the Treasury than from the Post Office.

2484. That is to say, the Treasury called the attention of the Post Office to the fact that extensions were being made which were unprofitable?—Yes.

2485. And sought to induce the Post Office to limit those extensions?—Yes, to limit those unprofitable extensions.

2486. Now will you turn to Table 10 of these tables of percentages; will you tell me what the gross revenue for telegraphs in 1881-82 (which I think that is the date I took for the Post Office) was?—£. 1,630,442.

2487. And the expenditure for that year?—£. 1,365,632.

2488. And the net revenue?—£. 264,810.

2489. And the percentage of expenditure to gross revenue?—83·76.

2490. Now will you give me the estimated gross revenue for 1888-89?—The
gross

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[Continued.]

gross revenue is 2,012,410 *l.*, and the expenditure is 2,036,836 *l.*, showing a deficit of £. 24,426.

2491. That is without any capital charge?—Yes.

2492. And what is the percentage of expenditure to gross revenue?—101·21.

2493. There has been, therefore, a gross increase of revenue of about 380,000 *l.*?—Yes.

2494. And there have been increased working expenses of 670,000 *l.*?—Yes.

2495. Could you offer the Committee any explanation of the increase in the working expenses, and tell us what constitutes the principal items of it?—It is partly due to the extra cost of the salaries paid to the general staff in consequence of the revision, which, I think, has been called before this Committee the Fawcett revision.

2496. Could you tell us what the increase in the amount of salaries and wages has been; perhaps you would give us the amount of wages and salaries to the year 1881-2, as it appears in Table 2?—In 1881-2 the amount of salaries and wages was 779,372 *l.*

2497. What is it estimated for in 1888-9?—£. 1,303,313, being an increase of 523,941 *l.*

2498. Now, is that increase out of proportion to the growth of business?—Yes, the growth of business between the same periods is 381,968 *l.*

2499. And that appears to have been a continuous growth?—Yes.

2500. That is to say, the expenditure has been increasing at a greater rate than the gross income?—Yes, during the interval, that is to say, since the 1st October 1885, that the new tariff has been in operation.

2501. Which new tariff has largely increased the number of messages?—Yes.

2502. And therefore the number of operators?—Yes.

2503. Do you think that this disproportion between the increased growth of expenditure and of revenue is likely to continue?—I think it will lessen as time goes on.

2504. But you do not look for any immediate relief in that direction?—The service is young; that is to say, there are very few people going off at the top, and we have to add very largely at the bottom; the consequence being at the present time for the telegraph service we do not appear to have come to the mean of the increments.

2505. Is it not also the fact that you are increasing the number of first-class clerks relatively to the total number more rapidly than you were formerly; that is to say, as compared with what they were formerly, the first class is considerably larger, and the second class smaller?—Not considerably.

2506. Have you any figures as to that?—Yes, I have the figures for the central station; shall I take the year 1881-2 and the year 1888-9 which you have been comparing?

2507. If you please?—In the year 1881-2 there were at the central station below the class of senior clerks three classes of clerks: first, second and third; and at that time they stood in the relation of: first class, 15·7 per cent.; second class, 26·4 per cent.; and third class, 46·2 per cent. out of the whole staff. Now in the following year that third class was abolished under the Fawcett scheme.

2508. Did they become second-class clerks?—The effect was this, that the first class was 23 per cent., and the second class 61·6 per cent. I have left out in each case the remaining per-centages to make up the hundred, because those are made up of the higher classes.

2509. When there were three classes I suppose there were three scales of pay?—Yes.

2510. The lowest was abolished altogether?—Yes.

2511. And the others divided over the first and second?—Yes; and in the year 1888-9 the first class is 23 per cent., and the second class 61·6 per cent.

2512. The remainder making up the hundred?—The remainder making up the hundred were superintendents, assistant superintendents, and senior telegraphists.

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2513. Just

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[Continued.]

2513. Just let us try that in another way. Will you look at page 132 of the Estimates; your estimate for salaries and wages for 1888-9 is 240,920?—Yes.

2514. That shows an increase of about 10,600 *l.* over the previous year?—Yes.

2515. But the number of men shows an increase of only four?—Yes, that I explained to the Committee in an answer to a question on the last occasion after you had left the room.

2516. Have you any other explanation which you would like to make to the Committee with regard to the large growth of expenditure; are there any other items you would wish to refer to?—A considerable amount of the growth is on account of the expenditure for meeting the new tariff; I mean for putting up new wires and providing new force to meet the increase of business in consequence of the introduction of the new sixpenny rate.

2517. That includes both staff and plant, does it?—Yes. The total on plant alone spent by the Post Office is 450,000 *l.*

2518. Within what period?—That is only as regards the sixpenny tariff; it was within three years.

2519. Those figures do not at all come within the figure of the increase of salaries and wages to which you have referred?—No. I thought that you were referring in your question to the whole table.

2520. Mr. Heneage.] In answer to Mr. Jackson you said that the Post Office did not originate the Minute issued by the Treasury directing the Post Office to take security that they should suffer no loss when fresh offices were taken up?—Yes.

2521. Did it not arise in this way; that up to that period the Post Office had felt itself bound up by the pledges given at the time of the passing of the Act that all money order offices should be telegraph offices?—The idea before the passing of the Act was that each money order office should be made a telegraph office; but I do not think that it amounted to a pledge.

2522. At all events, was not that the reason why the objections of the railway companies and of the rural districts to telegraphs being taken away from railway stations, ceased to operate?—The public objection ceased to operate, inasmuch as we were going largely to extend the system to places off the railway.

2523. What I mean is this; was not there a very strong objection at the time of the passing of the Telegraph Act to the telegraph offices at the railway stations in the rural districts being done away with, and was not that opposition stopped by the pledge that, so far as possible, all money order offices should be telegraph offices?—I should hardly say that, inasmuch as it was not contemplated to close the telegraph offices at the railway stations, unless a telegraph office was opened in the immediate vicinity.

2524. Is it not the fact that throughout the country districts there are hardly any telegraph offices at the railway stations, and since this Minute of the Treasury very few telegraph offices have been opened at rural money order offices?—There are 1,600 and odd railway station telegraph offices, which are chiefly in country districts, and not in towns; because in the towns the post offices have their own offices independently of the railway station.

2525. The guarantees are generally required from rural money order offices and not from towns; is that so?—Quite so.

2526. So that the only effect of this Minute of the Treasury is, that it has stopped telegraph offices being instituted at rural money order offices; that is really the only effect of this Minute?—That is so.

2527. Mr. Jackson.] Can you put in that Minute of the Treasury to which the honourable Member has referred?—Yes; I think I can do so.

2528. Mr. Hankey.] I should like to ask you a question with regard to the practice that I believe prevails, of employing military labour; I believe some of the men of the Royal Engineers have been employed in connection with telegraph work?—Yes.

2529. Is that practice extensive?—They are employed in the district south of the Thames and south of the Severn.

2530. Is

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2530. Is it found more economical to employ military labour in preference to civilian labour?—No; the object was to give experience to soldiers, so that in time of war their services might be utilised.

2531. Then it was quite independent of economical considerations?—Quite independent.

2532. Mr. *Dixon-Hartland*.] Why is that done only in the district south of the Thames and south of the Severn?—That was considered to be a district sufficiently large to employ the number of officers and soldiers of the Royal Engineers who could be supplied.

2533. Mr. *Mowbray*.] Did I understand you to say, in answer to the Secretary to the Treasury, that in 1881 the percentage of senior clerks amounted to 11·7?—I said that the first, second, and third classes of clerks were 15·7 per cent., 26·4, and 46·2 per cent. respectively.

2534. Those three classes of clerks amounted to 88·3 per cent., did they not, in 1881?—Yes.

2535. Do you consider the remainder making up the hundred to be seniors?—Beyond those there are the superintendents, assistant superintendents, and senior telegraphists; those are the three classes above them.

2536. And all those amounted to 11·7 per cent.?—Yes.

2537. The figure for the corresponding ranks in 1888-9, I understand, amounted to 15·4 per cent.?—Yes.

2538. Therefore, what you may call the upper classes have proportionately increased?—Yes.

2539. Mr. *J. F. X. O'Brien*.] I presume there will never be any intention of having recourse to the underground wires unless it is absolutely necessary, the cost being so much higher?—In many places we have them at present. The system in London is mostly underground; out of 12,000 miles about 11,000 miles are underground. In fact, at present no open overhead wire comes into the central station in London except two wires, which are brought in on account of circuits worked by a telephone company.

2540. Do I understand you to say that you think the time will come when the further extensions must be underground?—That time will come.

2541. Supposing that all your future extensions were to be made underground, how large a sum would that cost represent, capitalizing the cost of the extensions?—I am quite unable to say.

2542. You say it would cost ten times as much, do you not?—That is over the cost of the first wire overground.

2543. Then that proportion would not hold good afterwards?—No.

2544. Are you not able to offer any suggestion as to what the cost would be?—It depends entirely on the circumstances, between what places it was to be laid, and various matters in connection with the extension underground.

2545. You think that it would be quite impossible to estimate the cost?—Quite impossible.

2546. Does your return of the number of messages sent show the relative growth and the cost of the work done?—I was asked by the honourable Member for Northwich to give a table showing the number of messages as compared with the amount paid in salaries in each year, and I have worked it out showing how many messages for each pound of salaries were dealt with.

2547. I fancy it would be desirable to have such a return which would show the relative growth and the cost of the work done. I venture to think the work now is relatively cheaper considering the amount of work done than it has been?—That would be a very long and laborious return to make.

2548. Even if you made it per thousand words?—Yes, even that would be very difficult; you would have to make a comparison between press messages, railway messages, foreign messages, and so on.

2549. Mr. *Dixon-Hartland*.] Is it not the fact that although as regards the first capital outlay it may be dearer to put the wires underground, when once they are there they are much more cheaply kept in order than the overhead wires?—No; it comes out to just about the same figure.

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[Continued]

2550. Are they not less liable to be damaged in a snow-storm, for instance?—Yes, they are better protected from a snow-storm, but in other respects the wear and tear is about the same.

2551. Then do you say that underground wires are not much cheaper to keep in order than overhead wires?—The maintenance year by year works out nearly the same in each case.

2552. Then it is only as regards snow-storms that they are better protected?—Yes, I may mention that there is this objection to underground wires, that you cannot work an underground wire so fast as you can an open wire.

2553. Do you know that in Germany and in other countries for strategical purposes they are putting the telegraph wires underground?—Yes, a certain number between certain places.

2554. That is for the sake of army purposes, is it not?—Yes.

2555. Have we anything of the sort in this country?—We have no continuous line underground except between Liverpool and Manchester.

2556. We have nothing of the sort between Portsmouth and London, for instance?—Only for portions of the distance.

2557. Mr. Preston Bruce.] I wish to ask whether you would desire to correct an answer which you gave to me on the last occasion when the Committee sat with regard to the extension in the Western Islands of Scotland; I think you said there must be some mistake about the 20,000 messages from the Island of Barra?—I have got the particulars, and I find that at Barra, during the year ending the 31st March 1887, there were 6,518 messages handed in, and in the year ending 31st March 1888 there were 7,469 messages.

2558. I have here the Fifth Annual Report of the Fishery Board for Scotland, and I will read a few lines from it, "As showing the extent to which the telegraph has been used, it may be stated that during the year 1884, when the wire was first extended to Barra, 10,000 messages were transmitted to and from that island and South Uist; that in 1885 the number increased to 15,000, and in 1886, when the reduction of the tariff took place, as many as 21,000 messages were sent"; is not that a correct statement?—As the honourable Member asked me the question on the last occasion, I understood it referred to messages handed in at Barra alone. I find that the passage in the Report of the Fishery Board which the honourable Member has drawn my attention to, refers to the whole of the messages handed in at South Uist, taking both the messages handed in and also the messages received at those offices. During the year ending the 31st of March 1887, I find that the messages taken in both directions amounted to 15,763, and not to 21,000, as is stated in that Report.

2559. I wish to ask you one other question with respect to the column headed "Telegraph Works, Extensions, &c.," in Table II.; is there any distinction between those two, "Telegraph Works" and "Extensions"?—The heading there is put in the same way as the heading in the Sub-head of the Estimates, at page 137. "Extensions" in Sub-head O. 1 refers to the erection of wires to new offices not hitherto served.

2560. This column, "Telegraph Works, Extensions, &c.," includes more than mere extensions, is not that so?—Certainly.

2561. Is your rule as to asking for a guarantee applicable to these new works other than extensions, or is it only applicable to extensions?—Only to extensions.

2562. Then, for instance, such a thing as you spoke of just now, putting wires underground instead of overground, would that be a new work?—Not necessarily, unless it was the provision of an extra circuit.

2563. With regard to this new work, you do not ask for a guarantee, as I understand?—Not for putting up, say, between London and Leeds, on account of business, an extra wire to meet the business between those two towns.

2564. You do not inquire in such a case whether that particular expenditure would be remunerative, do you?—Yes, we do.

2565. And if it is not remunerative you do not necessarily ask for a guarantee?—There is nobody to ask it from.

2566. But

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[Continued.]

2566. But in the case of extensions which apply to the poorer and more sparsely populated districts, there you invariably ask for a guarantee, I understand?—Yes, if it will not pay.

2567. Then, as a matter of fact, this rule is one which operates against the poorer and more sparsely populated districts, and not against the more populous and wealthier districts?—I can hardly say that, inasmuch as you may have a case of this kind. There is a large amount of business between, say, Manchester and Liverpool, and if that business grows it is necessary to put up an additional wire to carry the business not only of Manchester and Liverpool, but, very possibly, of the towns round Manchester and Liverpool; and, therefore, you could not possibly ask for a guarantee of that cost, because I do not know whom you could come upon for the cost; but in the other case, where it is a particular village that desires to have telegraphic communication, inquiry is made whether the number of messages that would be likely to be sent from that village would recoup the cost, and if not, we ask the persons who are interested to guarantee payment of the amount required, and then, as against that guarantee, they are credited with the amount of all the messages handed in at that office.

2568. *Chairman.*] How many wires would you have upon one of our great main roads?—They vary from 13 to about 17.

2569. And, supposing you were to begin to lay down along one of those roads underground wires, how many wires would you be likely to lay down at first?—It would depend very much upon circumstances. You would not lay a pipe down until you had decided to lay something over 17 wires, because of the prime cost at the beginning.

2570. Supposing you laid down 17 wires underground, do I understand you to say that the cost would be about ten times as much as putting them overhead?—No, not quite that. I think it would be ten times as much for the first wire, and about 2 *l.* to 3 *l.* for each wire after that.

2571. How many wires would an underground conduit be capable of serving?—Seventy-five wires.

2572. So that it costs 10 times as much to make an underground conduit capable of serving 75 wires, and to lay only one wire within that conduit as it would cost to lay one wire overhead on poles already erected, is that so?—No; I was reckoning the cost of putting up one wire on new poles, which would have eventually held 17.

2573. Then if you make a conduit and lay down 17 wires, what would be the comparative expense of that conduit with 17 wires, and the above ground pole with 17 wires?—Roughly, the cost of the overground as compared to the underground would be about 160 *l.* to 510 *l.*

2574. For what distance would that be?—For a mile.

2575. And what proportion of that 510 *l.* for one mile would be the cost of the conduit, and what would be the cost of the wire?—The cost of the conduit and the laying and completing would be about 340 *l.*

2576. So that you cannot lay down wires underground without facing an immediate expenditure of 340 *l.* per mile for the conduit, irrespective of the wires?—Quite so.

2577. *Mr. Henniker Heaton.*] I wish to put one question with reference to the Return in regard to the press messages. You stated the other day that “in the year 1887 the Post Office transmitted messages on account of the press to 286 towns, and delivered them to 499 newspapers, and to 289 institutions. It delivered about 4½ million messages, containing about 482 million words in that year,” and you also say that the loss on press messages amounted to about 200,000 *l.* a year?—Yes.

2578. I wish to have it quite clear whether you have taken into account, in speaking of that loss, the fact that a large number of the press messages are sent at night when the wires would otherwise be idle?—Yes.

2579. And notwithstanding that fact, you say there is a loss of 200,000 *l.* a year on these press messages?—Yes.

2580. Was that estimate made on the number of words sent?—That is an estimate

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[*Continued.*]

estimate arrived at by endeavouring as far as possible to see what the cost of each message was.

2581. If you raised the price of the messages there would not be nearly so many messages sent, I presume?—No.

2582. Have you ever compared the cost of a private press wire and the ordinary charge made to newspapers. What I have in my mind is this: In some towns I understand some of the large newspapers have an ordinary wire, and in the same town other newspapers have private wires?—I do not think that is so. There are certain papers in the country which rent at night, from six o'clock in the evening till six o'clock in the morning, a wire used during the day for public purposes, which is called a special wire, and which, under one of the sections of the Act of 1868 is let to them at a rental of 500 *l.* per annum. There are other newspapers published in the same town which receive the whole of their news day and night over the public wires at the press rate.

2583. The sum which you have named is a large sum, is it not, to pay as rental?—It hardly pays.

2584. Mr. *Dixon-Hartland.*] Does that include finding the power for working at both ends?—At both ends, and possibly a relay station to help it on its way.

2585. Mr. *Henniker Heaton.*] As a matter of fact, are not the clerks, I mean the telegraphists, in the telegraph offices paid lower than in any other Department?—No, I do not think so.

2586. I think you can furnish a return of the money paid by you for Government cable messages to all parts of the world?—It is not paid by the Post Office; it is paid by each Department.

2587. Are they not paid by the Post Office?—No.

2588. Are you aware that sums are paid as subsidies to the cable companies by the British Government?—The sums appear in the Estimates. I have not got the Estimates with me at present.

2589. You promised on the last occasion to produce a list showing the amounts paid by the cable companies for private wires?—Yes, I have prepared a return.

2590. Will you hand it in?—Yes. (*The same was handed in.*)

2591. This brings me to my other point: In reply to a question asked by a member of the Committee on the last occasion, you stated that royalties were paid in England in some cases?—Yes, what you called “royalties.”

2592. Will you give us an illustration of that in respect to any company?—Certainly. The whole of the companies whose names appear in the list which I have handed in, if they hand over a telegram in London for transmission, we will say, to Richmond, pay the Department a royalty, as you used the word, of a halfpenny a word.

2593. In other words they pay the ordinary rate?—Yes, for its onward transmission.

2594. Whereas in India, I understand, they charge 7 *d.* for a message passing over a mile of wire, the ordinary rate being 3 *d.*?—I think there is a little confusion there. That is instead of the payment for the rental of the wire between Bombay and Madras.

2595. As a matter of fact, in the case of the cable companies, you only re-transmit at the ordinary rates?—You must compare that rate with the 41,000 *l.* which I have given you as the total in the list which I have handed in.

2596. The cable companies have private wires to London, have they not?—Yes, and some other towns as well. If the message comes into the hands of the Post Office they pay a halfpenny a word, if it is handed over to be transmitted elsewhere.

2597. I want to refer you to a passage in your examination on the last occasion, when you made this answer to a question, which was interjected by the Secretary to the Treasury, in the midst of some questions I was putting to you. I said, “So that, as a matter of fact, upon your account of the Telegraph Department on commercial principles you have an absolute profit. (A.) A small profit,” and then Mr. Jackson said, “That is charging no interest upon capital; I do

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[Continued.]

I do not know whether it is suggested that that is an ordinary commercial principle," and your reply is "That is charging no interest upon capital." Now turning to your balance sheet for the year 1886-7, you put it in this way: "Balance of profit equal to '63 per cent. on a capital of 12,000,000/., being the full amount available on commercial principles for dividend on capital or for a reserve fund;" you did not mean that, did you, when you said on the last occasion that that was charging no interest upon capital, seeing that you charge this amount here upon a capital of 12,000,000/.?—That point was raised in the earlier part of to-day's examination by the Secretary to the Treasury, and I think I explained to him the meaning of the very thing to which the honourable Member now refers.

2598. Mr. *Dixon-Hartland*.] You said, as I understand, that it was ten times as dear to have an underground wire as an overhead wire; would you say the same if there were only 17 overhead wires on one pole and 75 wires underground in one conduit?—No; when I said it was ten times dearer I alluded to the cost of erecting poles which could eventually bear 17 wires as against the cost of putting the pipe underground, which would eventually take 75 wires; I was alluding simply to the cost of the first pipe.

2599. Then, do you mean that sufficient poles to take 75 wires would cost one-tenth of the amount for putting 75 wires underground?—No, I say that the cost for putting one wire in a pipe is ten times the cost for putting up one wire on a pole.

2600. I understood from you that it is ten times as dear to put the wires underground as to put them above ground?—I say only for the first wire.

2601. But you never put only one wire at a time, I suppose?—On poles we do sometimes.

2602. Then you are only making the comparison in cases where only one wire would be required?—Quite so.

2603. And where 75 wires would be required it would be cheaper to put the wires underground than to put them on poles?—Yes, if there were 75 wires in the same direction.

2604. If as many as 75 wires were wanted I understand that it would be cheaper to put them underground than above ground?—Yes.

2605. Whereas if only one wire is wanted it is ten times dearer to put it underground than to put it above ground?—Yes.

2606. Then can you tell me with how many wires the cost of the two would be even?—It is very difficult to say, because I do not know where I should find room to put up 75 wires along one road.

2607. What I want to know is with what number of wires would the cost of the two systems be about the same?—I should say at about from 35 to 40 wires.

2608. Then, in fact, it is half as cheap again to put the wires underground if you want as many as 75 wires?—I do not think it is half as cheap again.

2609. I am taking the figures you gave me, from 35 to 40 as against 75 wires; surely that shows that it is half as cheap again when 75 wires are wanted?—Not altogether I think.

2610. Mr. *Richard Chamberlain*.] Do you ever look forward to a time when by reductions in the cost of the works, or by an increase in the number of messages, the telegraphs are likely to repay on commercial principles the money expended upon them, sinking fund and interest?—I should not like to give a positive answer upon that point.

2611. Mr. *Jackson*.] Have you any knowledge or could you express any opinion to the Committee as to what would be the relative loss on the urban and the rural districts, supposing that you were able to separate the business?—The loss is very much larger on the extra urban than on the urban business certainly.

2612. Mr. *David Plunket*.] Will you say why that is?—Because there is so much more business per wire in large towns than there is in the country.

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2613. Mr.

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[Continued.]

2613. Mr. *Dixon-Hartland*.] But then you pay much less salary in the country, do you not?—Yes.

2614. The country postmasters and mistresses get very much smaller salaries, and therefore if there is less business there is also less pay?—True; but not proportionately less.

2615. Mr. *Jackson*.] You have no hesitation in expressing the opinion that, if the business could be separated, we should find the loss much greater in country districts than in large towns?—No; I may say that the increase in business has been nothing like so much, even under the sixpenny rate in the country districts as it has been in the town districts.

2616. Would you say that at present the town districts are bearing a larger proportion of the loss incurred in the country districts?—Yes.

2617. Mr. *Heneage*.] Do not you find wherever you establish a telegraph office that the Office collects business for itself, and, so to speak, makes business for itself?—The increase in business at the country offices has not been large year by year.

2618. When you establish a fresh telegraph office extension, do you not find that the telegrams increase in that district?—Certainly.

2619. Then is it not fair to assume that the real reason why there is such a scarcity of telegrams in rural districts is the enormous price which people there have to pay for the carriage of the telegrams, whereas in towns they are delivered almost free?—The amount paid for portage is not any very great quantity in country districts.

2620. Are you aware that there are large districts in agricultural counties where they have not a telegraph station within six or seven miles?—And where, even if they had a telegraph office, judging from the experience of telegraph offices in similar districts, they very likely would not send or receive many telegrams.

2621. Where you have established telegraph offices at money order offices under guarantee from individuals interested, do you find that eventually those offices pay?—No; in exceedingly few instances do they pay. The guarantee has continued, and after the seven years we have to get a fresh guarantee in order to continue the office.

2622. In country districts, when you are considering whether an office will pay or not, you take into consideration that office only and the district attached to it?—Yes.

2623. But in the case of towns, when you establish a new telegraph office you take the whole town?—No; we only open a new office in a town if we believe that the messages handed in from the district round the proposed new office are likely to pay. So far as possible the same principle is applied to both towns and country.

2624. Mr. *John Ellis*.] In fact, you would say that the business of a telegraph station depends upon the social and industrial life of the people within a reasonable distance of the station you open?—Yes, distinctly.

2625. And in a rural district, which is mainly agricultural, there is not the same necessity for telegraphing that there is in towns?—No, we find that the people in rural districts do not telegraph much.

2626. Mr. *David Plunket*.] Then have the people who give guarantees in rural districts to pay up?—Yes.

2627. Mr. *Preston Bruce*.] I should like to put one question on this point, referring again to Table 2, speaking generally, the great increase of cost of the Telegraph Service shown on that Table, is due to the increase of salaries and other items, but not to a large extent to extensions; is not that so?—There is a very considerable item spread over that period of years under "Extensions," taking the whole amounts.

2628. If you look at the per centages they are not an increasing ratio, are they?—No, because we expended, as I have said, 450,000 l. and odd in three years on account of the sixpenny rate.

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2629. It would not be correct to say that of late years the increased cost of the Telegraph Service has been due to the large expenditure in the form of extensions?—Not for the last three years.

2630. Do you limit it to the last three years?—Yes, because in those years the amounts have come back to the normal amount, 77,000 *l.*, 99,500 *l.*, and 99,000 *l.*; 99,000 *l.* being the sum taken for this year.

2631. Mr. *David Plunket*.] What, in your opinion, would be the effect, from a commercial point of view, of going back to the old system that existed before the sixpenny rate was introduced?—I think it would be like the experience of the American telegraph companies, that, on the one hand, we should not get so many messages as now, but, on the other hand, we should not go back to the same number as before; it would work about midway. If you once induce the public to telegraph, they cannot do without it afterwards.

2632. What would be the result upon the balance of expenditure as against receipts?—We should be in a very much better position. Under the tariff of a shilling for 20 words, our average receipt was about thirteen pence per message; at present it is exactly 8 *d.* per message.

2633. Instead of a deficit you think that there would be a tendency to increased balances to the good?—Certainly.

SIR CHARLES DU CANE, K.C.M.G., called in; and Examined.

2634. *Chairman*.] You are Chairman to the Board of Customs?—Yes.

2635. How long have you been so?—I have been very nearly ten years in that office.

2636. You put in, do you not, copies of the Treasury letters upon your Estimates of last year, and the present year?—I do.

2637. Would you read those letters?—This is the Treasury letter acknowledging our Estimates when sent to the Treasury, dated the 8th March 1887:—Gentlemen,—The Lords Commissioners of Her Majesty's Treasury have had before them the Estimates for your Department for the year 1887-88. The Estimates again show the marks of careful and economical administration, the gross reduction of effective charge as compared with the current year being 17,390 *l.*, and a net reduction of 4,209 *l.* thus resulting upon the whole Estimate, although the non-effective charge has been increased by 13,181 *l.* The Estimate is approved at a total of 951,848 *l.* after reduction of Sub-head B. by 200 *l.*, the inspector in receipt of 800 *l.* a year having been succeeded by an inspector at the minimum salary of 600 *l.*; and the omission of the salary of one of the Commissionerships which is at present vacant." Then there is a similar letter dated the 3rd of March 1888: "Gentlemen,—The Lords Commissioners of Her Majesty's Treasury have had before them the Estimate for the Customs Department for the year 1888-89. Their Lordships are glad to be able again to record their satisfaction at the results of the various measures of economy and efficiency which have been submitted to them in the course of the past year, and which have produced a further reduction in the total of the estimated expenditure. The Estimates appear to have been carefully drawn, and my Lords approve them at a total of nine hundred and thirty-seven thousand nine hundred and twenty pounds."

2638. On the present Estimate the increases as compared with the year before amount, do they not, to a net sum of 1,395 *l.*?—Yes.

2639. And the decreases to 15,323 *l.*?—That is so.

2640. Making a net decrease of 13,928 *l.*?—Yes.

2641. Will you take us through the principal items of either increase or decrease, and give us what explanation you think well upon them?—You will observe there are seven Heads, A., B., C., D., E., F., and G. In Head A., "Superintending Establishment," the amount is 61,740 *l.*, and the decrease, as compared with last year's Estimate, is 1,410 *l.* That results mainly, in fact entirely, I may say, from the saving from vacancies in the posts of Secretary and Surveyor General. The post of Secretary became vacant about this time last

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[*Continued.*]

year on the appointment of the then Secretary, Mr. Herbert Murray, to be Deputy Chairman; and it has not since been filled up. One of our Surveyors General, Mr. Prowse, has been appointed to be Acting Secretary at an additional salary of 200 *l.* a year; he performing the duties of Secretary, and, to a certain extent, still performing the duties of the office of Surveyor General.

2642. That is not merely a temporary, but a permanent arrangement?—That is an arrangement until the question of the amalgamation of the two departments, the Customs and Inland Revenue Department, is definitely determined upon. Then we were authorised to have three Surveyors General, who commence at a salary of 800 *l.* a year. One of these posts has become vacant, and we have not filled it up. We have appointed a first-class surveyor from Glasgow, who is receiving 480 *l.* a year, and he receives an extra allowance of 100 *l.* a year to do the work of the third Surveyor General; he is in fact an acting Surveyor General. That will account for the economy in that branch. Then I take the next Item B., “Establishment of the Port of London.” We take for that 260,600 *l.*; and on that there is a decrease of 2,920 *l.* as compared with last year. That result may be accounted for in this way: there is a saving of 2,300 *l.* from the establishment of a class called the Assistant Examining Officers. There is 500 *l.* saved from the reduced number of copyists, 200 *l.* less for uniform, and 100 *l.* less for extra attendance. Then we go on to Heading C., “Establishments of the Liverpool District.” That shows only a small reduction of 420 *l.*, the cost of the establishment being 97,520 *l.* That is chiefly owing to the institution of assistant examining officers. Then we come to Class D., “Establishments other than London and Liverpool,” which means the remaining outposts. There is a decrease under that head of 10,050 *l.* upon the amount taken of 310,120 *l.* Of that decrease of 10,050 *l.*, 1,285 *l.* is due to reductions of superintendents and principal coast officers; 3,800 *l.* to the institution of assistant examining officers; 1,000 *l.* to reduction of copyists; and 3,300 *l.* to reduction on account of glut pay, which is a technical term in the Customs; that refers to the employment of what are called glut men; then 800 *l.* is due to reduction of travelling allowances, and 1,000 *l.* to removals of officers.

2643. Taking this considerable reduction, has that been in consequence at all of diminished labour thrown upon the staff?—No; I should say it has been the consequence of recasting and remodelling the Department, and so forth.

2644. It is, in fact, the result of a careful examination into questions of economy and management of the staff?—Exactly.

2645. Will you kindly go on to the next head?—Then we came to the Solicitor's branch, Class E., “Law Charges, Subsistence of Prisoners,” and so on. For that we take 9,665 *l.*, showing a decrease of 175 *l.* on the previous year's Estimates. Then we come to the first item which shows any increase, namely, Superannuations, of which the total is 197,052 *l.*, showing an increase of 1,395 *l.* Then the final heading is G., “Commutation of Pensions,” of which the total is 1,223 *l.*, showing a decrease compared with last year of 348 *l.* The total of the seven heads is 937,920; the increase is 1,395 *l.*, as against a decrease of 15,323 *l.*

2646. Can you tell me how near your actual expenditure for the year 1887-8 comes to the Estimate?—The actual expenditure for 1887-8 was 931,429 *l.*

2647. That is 20,000 *l.* less than the Estimate for that year?—Yes.

2648. But I understand you to say that these reductions which you have effected will come out as actual reductions of expenditure, and not merely as a reduction in the estimate, in consequence of the saving of 20,000 *l.* on the estimate of the previous year?—They will come out in the first instance as reduction of estimate; but for the last five years, besides our reductions, we have surrendered large sums which we have not expended.

2649. What I mean is this: you have accounted for these savings, showing that these savings are the consequence of careful inquiry into each Department, and will effect, therefore, really a saving in point of expenditure?—It will be a saving in point of expenditure.

2650. And it is not merely a reduced estimate, because you found you had spent 20,000 *l.* less than the estimate of the previous year?—It is not merely a reduced

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reduced estimate, and the economy may be considerably increased at the end of the year by what we may surrender, having no occasion for spending it.

2651. Mr. *Mowbray*.] I see in your extra receipts on page 26 of the Estimates, there is a sum for "Cost of Collection of Revenue and of Superannuation Allowances in the Isle of Man." Is that, in fact, a repayment; does this country bear the expenses of the Custom House establishment in the Isle of Man?—Yes.

2652. That is a repayment, is it?—We actually bear the expenses. It is our own Customs establishment in the Isle of Man; they repay it afterwards from the Island Revenue, but it is our own Customs establishment.

2653. The expense of that is repaid from the Isle of Man revenue?—Yes.

2654. And they receive their own customs?—They receive their own customs collected, as before explained, by our officers.

2655. Mr. *Henniker Heaton*.] There are one or two questions which I wish to ask with regard to the superannuations allowances; what was the total amount last year?—The total amount last year, to which I suppose the honourable Member refers, was 193,627 *l.*, for Customs Pensions and Compensations, and 5,425 *l.* for Coastguard and Colonial Customs Pensions.

2656. What is the total amount now paid?—What we take this year for superannuation is 197,052 *l.*, but that is only as compared with the estimate of last year.

2657. Do I understand that the superannuation last year was 193,697 *l.*, and that the amount has now increased to 197,052 *l.*?—No, I said what we take for superannuation this year is 197,052 *l.*

2658. There is a considerable difference between those allowances; a great number of allowances have fallen in, I presume?—Yes, a great number of allowances have fallen in.

2659. What is the total expense for wages and salaries for the working of the Customs Department?—That total would be as nearly as possible 700,000 *l.*, but that is leaving out the cost of the Superintending Establishment. I presume you do not wish to include the Superintending Establishment, but you want the cost exclusive of Superintending Establishment?

2660. Yes; and that, you say, would be as nearly as possible 700,000 *l.*?—Yes.

2661. Does not that appear to be a large sum for superannuation allowances in comparison to salaries?—Almost ever since I have been at the Board of Customs we have been re-organising and reducing the departments, and, as a natural consequence of the reductions, carrying men on to the superannuation list; therefore our superannuation list does, I admit, seem large; but, in spite of that large superannuation list, we have effected an economy to the amount of 60,000 *l.* in the last five years; so that I think we have given a satisfactory account of the way in which the increase of the superannuation list has been balanced.

2662. Mr. *Richard Chamberlain*.] Would you tell us whether the staff allowed to the department was originally very much too large?—There have been several amalgamations in the department (some of them took place before I was chairman of the Board), and that no doubt resulted in the first instance in the staff of individual branches being too large at the time, because there must always be a limit to retirement, otherwise you swell the superannuation list to such an extent that you counterbalance all the economy that you effect by retirement.

2663. These reductions are probably the gradual result of free trade and the imposition of fewer customs; is that so?—To a certain extent. At the time of the abolition of the sugar duties, for instance, a great reduction took place; but that was before my time. The simplification of the tariff has, no doubt, in past times, attributable to free trade, brought about a great deal of reduction; but there has been no material reduction since the sugar duties have been done away with, for the simple reason that there has been no material reduction of the tariff since then.

2664. *Chairman*.] I wish to ask just one question about the increase of the superannuation charge. What has the increase been during the last five years

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in the charge for superannuation. Has the increased charge during the last five years been 30,320 *l.*?—The increase of superannuations and compensations in the last five years has amounted to 30,320 *l.*

2665. These superannuations were largely the consequence of economies resulting in the reduction of the staff?—Almost entirely.

2666. What was the saving effected independently of that increase of superannuation?—The gross saving was 99,185 *l.*; but from that you have to deduct 30,320 *l.* for superannuation, leaving a net saving of 68,865 *l.*

2667. So that we see the increase of 30,000 *l.* and odd on the superannuation sub-head really means, as you have explained, a net saving of 68,865 *l.*?—During the last five years, that is so.

2668. Can you give us the result in the shape of comparative percentages of the cost of collection?—The cost of collection, five years ago, was 4 *l.* 10 *s.* 8 *d.* per cent.; that was in 1883. At the present moment we put it at 4 *l.* 6 *s.* 8 *d.* per cent., so that there is a reduction of 4 *s.* per cent.

2669. I presume I may also say that the net saving would increase as the pensions diminish, in the natural course of events?—Certainly, as in the natural course of events pensions diminish, the net saving would increase proportionately.

2670. I believe you have drawn up a statement with regard to the Customs Estimates for the current year, which you wish to hand in?—Yes. (*The same was handed in.*)

Friday, 11th May 1888.

MEMBERS PRESENT:

Mr. Arthur Acland.
Mr. Preston Bruce.
Mr. Brunner.
Mr. Richard Chamberlain.
Mr. Dixon-Hartland.
Mr. John Ellis.
Mr. Henniker Heaton.

Mr. Heneage.
Mr. Jackson.
Mr. Mowbray.
Mr. J. F. X. O'Brien.
Mr. Raikes.
Mr. Stansfeld.

THE RIGHT HONOURABLE JAMES STANSFELD, IN THE CHAIR.

MR. H. W. PRIMROSE, c.s.i., called in; and Examined.

2671. Mr. Jackson.] You are, I believe, Secretary to the Office of Works?—
Yes.

2672. How long have you held that position?—Nearly two years, or since August 1886.

2673. Have you seen the evidence given by Sir Arthur Blackwood?—Yes, I have read it.

2674. Do you think that it would be desirable to transfer from the Office of Works to the Post Office the duty of providing for small alterations and repairs, and of procuring ordinary articles of furniture?—I am not inclined to agree with Sir Arthur Blackwood upon that point. I think the experience of the Office of Works rather shows that it is in these small things that considerable leakage in the way of expenditure may take place. I cannot compare the work for the Post Office under the Office of Works as against similar work under the Post Office, but I can make the comparison in the case of some other departments; for instance, taking Inland Revenue buildings, they used to be managed by the Inland Revenue themselves. In 1881-82 the work of providing accommodation and furniture was transferred to the Office of Works. Previous to the transfer the maintenance and repairs of buildings was costing about 6,000 *l.* a year; whereas in the current year, in the Estimates for 1888-89, it is costing 5,110 *l.*; that is a reduction of one-sixth. But in furniture the difference is still more remarkable. Before the transfer the cost was about 7,000 *l.* a year, whereas the Vote for the current year is 2,850 *l.* Then with regard to the Customs buildings the change is not so great, but still there is a reduction there. They were transferred to us in 1877-78. Before the transfer the maintenance of the Customs buildings was about 6,000 *l.* a year; in the current year it is about 4,000 *l.* I think I ought to say that there has probably been a considerable reduction in the staff of the Customs; it is a diminishing Department, and that might account for some part of the change. The cost of furniture is very much the same as it was at the time of the transfer; it was 1,500 *l.* before the transfer, and it is 1,700 *l.* in the present year, showing a slight increase. There is another illustration which I may give which is still more remarkable, namely, the County Court buildings. They were transferred to us in 1870 or 1871. The cost of maintenance and repair of the buildings for the two years before the transfer was 7,500 *l.* per annum; in the current year we have taken 4,000 *l.* for it. The expenditure for furniture before

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[Continued.]

the time of the transfer was about 4,000 *l.* a year ; in the current year it is less than 1,000 *l.* ; it is, in fact, 750 *l.* I think these instances show that the action of the Office of Works is useful in keeping down expenditure : and I think our experience rather goes to show that it is in the constant application of certain rules that you really make an impression upon the expenditure. There are some very remarkable figures connected with the furniture of public offices generally, which perhaps I may give. Thirty years ago, in 1855, the expenditure in that particular year was 48,000 *l.*, although the service was very much smaller than now, and that, so far as I know, did not contain any special items of expenditure. In the next year, 1856, it was 37,000 *l.* ; in the next year, 1857, it was 31,000 *l.* About that time the subject of the furniture was taken in hand by Mr. Austin, who was then Secretary to the Office of Works, and he applied certain rigorous rules, such as that carpets not to be given except for particular rooms, and no arm-chairs were to be allowed, and certain simple rules of that sort ; the result was that in three years' time he got the expenditure down from 48,000 *l.*, as I say, to 20,000 *l.*, and the Estimate for the current year is 16,000 *l.*, although we now have a very much larger number of people to provide furniture for.

2675. "Furniture," in the sense you use the term, is, I think, very much wider than the sense in which the word is ordinarily understood?—Certainly. Taking the Vote for the current year, which is 16,000 *l.*, only a little over 2,000 *l.* of that is for the supply of new furniture ; then there is 2,600 *l.* for repairs and cleaning, 2,600 *l.* for removal, refitting, and rearranging furniture in public offices, and 3,700 *l.* for household articles, for cleaning materials, baskets, glass, china, and things of that sort ; so that the amount of new furniture actually supplied is comparatively small.

2676. How was the furniture supplied to the Departments before the Office of Works took it in hand?—We have supplied them since the institution of the Office of Works, since 1851.

2677. But the comparisons which you have made are with periods when the supply was obtained, not through the Office of Works, but by the Departments themselves?—Yes, in the cases I first mentioned, the Inland Revenue buildings, the Customs buildings, and the County Courts buildings.

2678. Were those establishments given up entirely when the work was handed over to the Office of Works?—I believe, entirely. I think they have no surveyor of works at either the Inland Revenue or the Customs.

2679. You said you were not able to make any comparison with the Post Office ; is that because the Post Office have never provided for themselves in this respect?—Quite so ; we have always provided for them, so far as I know, certainly as far back as 1858.

2680. Should you think that the comparisons you have made, making certain allowance for the reduction of staff and work generally at the Customs, are comparisons pretty much like with like?—Yes.

2681. Do you think that an independent Department exercises any useful control in checking demands which, if supplied by the Department itself, might not be so easily resisted?—I think so, most certainly. It is very much easier for an independent Department to apply rules of the sort that I have mentioned than for the heads of the Department themselves to do it ; and I think it saves the heads of Departments an invidious duty by their being able to send applications of this kind to us.

2682. Could you give the Committee any explanation as to how the work is performed by the Office of Works ; let us take an example ; the Post Office have their buildings spread all over the country ; how do you deal with any demand that may come from a very out-of-the-way place?—First of all, as regards immediate repairs, we have a system by which those can be done without reference to the head office.

2683. Which head office do you mean?—To the head office of the Office of Works here in London, or to the head office of the district. We have a branch office at Leeds for the northern district, and a branch office at Bristol for

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for the West of England. Therefore, as a rule, the requisitions from those parts would be either to Leeds or Bristol, but in order to meet the case of very urgent repairs, we have a system by which a postmaster may send direct to a given tradesman in the town; that is, for such things as repairs to roof coverings, chimney-pots, drains, water-supply, cisterns, sinks, and so on.

2684. He is a tradesman appointed by the Office of Works, is he?—We tell the postmaster what tradesman he is to go to in the town for immediate requisitions; and the tradesman, when he sends in his bill, attaches to it as a voucher the immediate requisitions which he has received from the postmaster. That would not apply to furniture, but only to urgent matters that are necessary in order to enable the business to go on. A requisition for furniture would be sent to the branch office at Leeds or Bristol, as the case might be. If it was a very small matter our surveyor there would comply with it. If it was at all a considerable expenditure, or if it seemed to involve any question of principle (as, for instance, whether the person who made the demand was entitled to the particular article asked for), he would send it up to London to be approved, and then it would be sent back to him marked approved, or not, as the case may be, and therefore he orders and procures the supply.

2685. Is the requisition made by the local postmaster made in the first place to the Post Office, and by them to you, or what is the procedure?—Yes, the local postmaster, I think, in most cases has to send it up to be approved by the secretariat in London.

2686. Then after that do you receive your requisitions from the Post Office in London, or from the local postmaster?—Requisitions are sent by local postmasters to the surveyor of the district, who signs them and sends them to the General Post Office in London. From there, if approved, they are sent to the Office of Works.

2687. With regard to the men whom you describe as your local officers, are they men who give their whole time to this work?—Yes; we have a branch office at Leeds, presided over by a second-class surveyor, and he has, I think, two assistant surveyors under him and a clerk. All the demands from the north of England are dealt with by him, and he inspects the buildings in the north of England.

2688. Does the present system involve very much expenditure in travelling expenses?—No, very little.

2689. Judging from your experience, would you admit that the present system impedes very much the performance of this work as compared with what it would be if it were in the hands of the departments severally?—No; so far as my experience goes, we have not often had cases in which we have had any serious difficulty with the Post Office. We have sometimes had a considerable correspondence about a matter which may seem in itself trifling, but in those cases it has generally been that some one of our rules seemed to require that we should resist the demand; for instance, we have a rule about outside window blinds, that we only give them on certain aspects; if we were asked to give outside blinds to a window that did not have that aspect we should probably resist it at considerable length, because if we once give way in one case we may have to give way in a great many others. Then there was the case that Sir Arthur Blackwood mentioned, namely, the case of filters; so far as we were concerned the correspondence is really not a very long one; there were three references from the Post Office to us and three from us to them. Our reason for resisting that request, even so long as we did, was that we make it a rule not to provide filters in rooms, because we say that if a filter is required in an office it ought to be in some place where it can be made use of by all the gentlemen in the office, and not put into one room; it was for that reason we objected to give it in the room as was asked for; it was afterwards explained to us that, as a matter of fact, the passage where we wished to put it would be less accessible for the gentlemen of the office than the room in which the Post Office wished to put it, so that we gave way; but the whole correspondence, so far as we are concerned, might be copied out in 10 minutes.

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2690. You would contend, I suppose, that if you admitted generally the principle that filters were to be provided in rooms, it might lead to a very large item for filters; and you might have a filter in each room of the Post Office?—No doubt; we are constantly being asked for things which we say are not required, or not permitted by our rules; we are constantly reminded of a particular instance in which so-and-so has got one, and the applicant says, “Why should not I have it too?”

2691. I suppose that in your Department, as in many others, if once a precedent can be procured against you, your case is rather a weak one for resisting a demand?—Yes.

2692. Mr. J. F. X. O'Brien.] Do your figures prove much without explanations?—May I ask which particular figure you refer to?

2693. Taking almost any of your figures, it appears to me that another person who would be interested in giving a different account of the matter, might easily explain all your figures, which appear to prove so much upon the face of them; for instance, does the reducing of the cost of repairs, or of the cost of furniture in one year or two years, or three years, tell us very much, without an explanation, as to whether the expenditure was really good and justifiable?—As regards the Customs buildings, the expenditure still remains very much the same; but I think it is a fair inference, from the fact that in two cases, namely, the Inland Revenue and County Court Buildings, the expenditure in maintenance and repairs upon furniture, is found to be considerably less under the Office of Works than it was when the business was managed by the Departments themselves, to say that we manage the business more cheaply.

2694. Sometimes, I believe, even Army and Navy expenditure has been managed very cheaply; but somehow or other the result has not been very satisfactory on those occasions?—I do not know whether the Committee have had any evidence from the Inland Revenue Department yet; but I think the Department is satisfied with the way in which we do the work.

2695. You said that you do not agree with Sir Arthur Blackwood with regard to the desirability of transferring the work of these small repairs to the Post Office from the Office of Works?—I do not agree with him so far as this: that I think it would certainly lead to an increase of expense, and I do not think that there is any sufficient inconvenience in the present system, or that the present system impedes the public service sufficiently to make it worth while to run the risk of increasing the expenditure.

2696. But practically, the case with regard to the Post Office is altogether based on the analogy of the other Departments; there is nothing to prove your case in the matter, as you have always supplied them since the Board was formed?—Yes.

2697. Then, as to your rules with regard to filters and outside window blinds, would it not appear that those rules are a little too inelastic, and that unnecessary friction arises between the Departments about these matters?—My experience does not lead me to think there is any serious friction. I can only remember one or two other cases where we have had rather a lengthy correspondence about trifles; and I think it is worth while opposing any demand that we think may form a dangerous precedent.

2698. You appear to look upon the officials in a great Department like the Post Office as incapable of forming a mature judgment about these trivial matters?—I should be sorry if I have given any such impression. All I mean to say is, that I think it is more easy for us, who are an independent Department, to resist capricious demands, so to speak, from individuals, than it is for the officials of the Post Office themselves. I think we have an advantage in resisting such demands.

2699. You get these small works done by local tradesmen, I understand?—Yes.

2700. How do you supervise the work and satisfy yourselves that the charges are correct and not exorbitant?—In certain places we have clerks of the works; in some of the principal towns, such as Manchester, Liverpool, and so on.

2701. If

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2701. If you have not clerks of the works, how is the work supervised?—If the work is painting, for instance, or papering, we should have that inspected by a clerk of the works who would be sent from the nearest town to inspect it, and it would be paid for as “measured work,” as it is called.

2702. Supposing that you have a small repair of 20 s. or 40 s. in a place where there is no clerk of the works?—There we must to a certain extent rely upon employing a good tradesman and trusting to him, but any considerable work would be inspected by a clerk of the works before being paid for.

2703. Would not an intelligent postmaster be quite capable of attending to a small job like that?—Certainly, and to a certain extent now we rely upon postmasters to keep an eye on the tradesmen when they are doing their work, and to inform us; and if they are dissatisfied, or have any reason to think that the work is badly done, or inferior articles are being supplied, we expect them to report to us.

2704. Have you many cases of that kind now in which small jobs are left to the discretion of local postmasters?—We do not leave it to the discretion of the local postmasters, but we trust to local postmasters to inform us if there are defects in the work.

2705. That would be leaving it very much to his discretion or judgment, would it not; it appears to me there must be so many cases of that kind, that there ought to be some latitude left to the Post Office in carrying on small transactions of that kind?—For every-day business it does go on very automatically, I should say. Taking, for instance, any sort of repair that is constantly being wanted to the building, there is no difficulty; the postmaster fills up one of those forms and sends it to the tradesman whom he is told to employ, and the work is done.

2706. In that case of the filter, does not it look very extraordinary that you were trying to force your notion of the place where it ought to be upon the people who wished to use it; would not they know better than you where the convenient place was?—They may know too well; they may ask for a convenience which we think is more than they have a right to have.

2707. It appears to me more calculated to annoy than to do any good, and the same remark would apply to outside blinds, which might be desirable for various reasons?—We are always ready to hear explanations of particular circumstances, and in this particular case of the filter we gave way as soon as they explained why our rule did not apply.

2708. Mr. *Dixon-Hartland*.] I suppose you consider that the Post Office are rather at an advantage in being able to say, “We should like to do so, only the Treasury will not let us”?—Yes, very much so.

2709. Mr. *Henniker Heaton*.] Supposing a lock of a door at the post office is out of order, say at Canterbury, what is the first duty of the postmaster; he writes to whom?—That would be included in one of the services that he may deal with by one of the immediate requisitions; those include locks, latches, gas, service pipes, and so on. He fills up one of those forms, and sends it to the local tradesman, and the local tradesman does the work, and sends that requisition as a voucher, attached to his bill.

2710. To what post offices does that apply?—We have been extending it; for instance, only lately we have extended it to all the Crown post offices. At first it was applied only to the larger ones, and then last year a certain number were added, and two or three months ago we included all the minor Crown post offices.

2711. As a fact, that has not been in operation in Canterbury for the last three or four years, has it?—I am not quite sure about Canterbury. I think perhaps the honourable Member is referring to the case where a man was sent down to Canterbury to attend to a lock there.

2712. Exactly?—That was not the lock of a door; it was the lock of the post office safe. The postmaster sent in a requisition for a new lock for the safe. As a matter of fact he made a mistake. What he did want was a new safe; but that is immaterial to the point which I think you are interested in. Supposing that he had been correct, and that he did want a new lock to the safe, that is a thing you could not supply locally. We had to send to the maker of the safe in

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London; and we sent to the maker of the safe to provide a new lock; he then sent a man down to Canterbury to fit on the lock; that I should think he need hardly have done, except that it is just as well not to have local workmen dealing with the lock of the safe; but he might have got a local man to fit it on, I think.

2713. As a matter of fact, when the man was sent from London to get the lock fitted on the safe, after a good deal of correspondence, was not he informed that the lock had already been repaired at the expense of the postmaster?—Yes, I believe he was; the postmaster had had it put right.

2714. Notwithstanding that, had the postmaster to fill up a sort of back form as if the work had not been done?—No, I am not aware of that.

2715. Have you any idea of the cost of the man's journey to Canterbury, the railway fare and so on?—Yes, it was 1 *l.* 2 *s.* 6 *d.*

2716. Did that include the time?—Yes, the whole bill was 1 *l.* 2 *s.* 6 *d.*

2717. His railway fare was 1 *l.* 2 *s.* 6 *d.*?—That was the travelling expenses.

2718. Do you say that would cover his time?—Yes.

2719. Mr. Acland.] You told us you thought the travelling expenses were not large; have you any figures about travelling expenses?—I have not got here the proper class of our office estimates which would show the total amount.

2720. I suppose you would admit that those travelling expenses are a necessary extra expense of the system, as compared with the work being done in the locality to a great extent?—Yes; but the travelling expenses of the Department might be increased by taking away from us the work for the Post Office, for this reason, that it would then not be worth our while to maintain branch offices at Leeds and Bristol; and we should have to do all our work from London; and then the inspection of County Courts, Inland Revenue, and Customs buildings would become considerably more expensive in proportion.

2721. These are things which you must do, irrespective of the Post Office?—Yes.

2722. And which could not be done in any other way?—It might involve going back to the system that was given up, of each Department managing its own business. I will not say it would absolutely involve that, because we could manage it from London; but it would increase our travelling expenses very much.

2723. Does it often happen that you are able to do two or three jobs at the same time, not only for the Post Office, but for other Departments as well?—Yes; the Clerk of the Works or the Surveyor visits the town, and deals with all the public buildings there at the same time. Our total travelling Vote is 2,300 *l.*; that covers travelling abroad sometimes, for the inspection of embassy houses.

2724. You would say that a good deal of that was saved by this plan, which enables the Office to resist capricious demands and unnecessary expense?—Yes.

2725. That is the general position you take up, as I understand?—Yes.

2726. With regard to these small matters mentioned in this book of yours, is the postmaster allowed to carry any of those out under his own supervision?—No; he is told what tradesman in his own particular town to go to. If there is a clerk of the works in the town, as there is in Manchester or Liverpool, he would fill up that form and send it to the clerk of the works; but if there is no officer of the Office of Works in the town, he is given the name of the tradesman to whom he is to send, and the tradesman would carry out the work. He would supervise the carrying out of the work.

2727. The bill is sent then to you?—The bill is sent to us, accompanied by the requisition as a voucher.

2728. The tradesman has been selected by you as a person whom you can trust, and you supervise his charges?—Yes.

2729. Mr. Preston Bruce.] I suppose that the system of your doing the work on behalf of the other Departments necessarily involves considerable correspondence with those Departments?—Certainly.

2730. That you admit is extra?—Undoubtedly.

2731. Can you say at all what that clerical labour amounts to?—The clerical labour in connection with the postal business in my Department is certainly very

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very considerable. If it were to be taken away from us (it is difficult to make an exact calculation), but I should say certainly that our purely clerical staff might be reduced a fourth.

2732. Mr. *Heneage*.] And there would be a similar reduction in the Post Office in consequence?—Yes, I suppose they could make a certain reduction.

2733. Mr. *Preston Bruce*.] Can you say what saving that would represent?—I should think we might possibly save on our clerical staff something like 4,000 l. a year if the postal business were transferred.

2734. Mr. *Jackson*.] When you say that, are you speaking of the whole of the postal business?—Yes, the whole of the postal business.

2735. Mr. *Preston Bruce*.] I was going to ask you that. Are you speaking of the actual correspondence with the other Department, or the whole of the correspondence in connection with these works?—I was under the impression that you were asking me what would be the reduction if we were relieved altogether of the business of the Post Office; not merely the minor business, but the whole business of the buildings.

2736. My point is this: is there not a distinction between the necessary correspondence in connection with carrying out these works, whoever may have charge of them, and the extra correspondence involved by your having to consult and get the sanction of the other Departments?—Yes. Of course a great deal of that correspondence, speaking now of the Post Office buildings, generally would still have to go on, whether the work was done by us or by the Post Office. The correspondence that would be saved as between us and the Post Office would be considerable, but it would be only a fraction of the whole.

2737. That would not amount to the 4,000 l. you mentioned?—No, certainly not. I thought when I mentioned that figure you were asking me what would be the effect upon my Department if we had nothing to do with the Post Office. That would cause a very considerable reduction on our part, no doubt.

2738. Can you say at all roughly what proportion of the 4,000 l. would be represented by the correspondence merely between the Departments?—I think it would not be a large amount if you merely took the clerical labour, merely as between Departments; it would be a very small matter really in point of expense; two or three clerks would be sufficient to carry it on.

2739. Mr. *John Ellis*.] I presume the inference which you desire us to draw from the really remarkable figures you gave at the outset of your evidence is, that the present system conduces to economy?—Yes.

2740. Of course, the value of those figures depends entirely, does it not, upon whether we are comparing precisely like with like?—Yes.

2741. Are you able to assure us that that is so; I will take one illustration; with respect to the Inland Revenue Department furniture, you mentioned two items of 7,000 l. in the year before the change, and 2,850 l. since; are you able to assure us that the 2,850 l. relates to the same work as the 7,000 l. did?—Yes; to the best of my belief: it is under the head of furniture.

2742. Then with respect to County Court buildings the change is, I think, indicated by the difference between the figures 4,000 l. to 750 l.?—Yes.

2743. Surely that is a very enormous difference?—Yes; it is fair to say about the County Court buildings, that I have no doubt that going back before 1870 the County Court system was comparatively young, and must necessarily have been costing more than it does now. On the other hand, we find that in these earlier days that the thing was, as we consider, unnecessarily expensively done; for instance, there are many cases in which County Courts were built in comparatively small places, where the judge only sits perhaps a dozen times in the year, and the country went to the expense of a building and furniture for that and nothing else; now we are hardly ever required to build a new County Court; we arrange for the use of a local building. I think the 4,000 l., no doubt, represents a considerable amount of expenditure upon new courts, and nowadays we think that money was wasted.

2744. Then we are hardly comparing like with like in that respect?—No doubt that is so.

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2745. But on the whole you would say that we are comparing like with like, I presume, because the whole value of the inference you wish us to draw depends upon that?—I think I may certainly say so as regards the Inland Revenue buildings. As to the County Court buildings I should not like to speak so strongly, because I do not know the early history about them so well.

2746-7. Then you gave us two items of 48,000 *l.* and 16,000 *l.*; will you state what they related to?—The 48,000 *l.* was expenditure in the year 1855 upon the Vote which now appears as Vote 8 in the current year's Estimates, "Furniture of Public Offices, Great Britain." That represented the furniture principally in the London offices and elsewhere, and I believe, in fact I may say I am certain, that is comparing like with like, and that the Vote on which that 48,000 *l.* was spent practically covered the same ground as the present Vote does.

2748. We were spending three pounds then where we are only spending one now?—Yes.

2749. Do you wish us to infer that the whole of that change and the reduction from three to one is due to the present system?—The system was the same then; in 1855 it was under the Office of Works, as it is now. I am comparing there our own expenditure in early years and our expenditure now; and I consider that that great reduction was effected principally by the attention that was paid by my predecessor, Mr. Austin, to the demands for furniture; and also, no doubt, to a certain extent to improved methods of obtaining furniture. I have no doubt that the thing could not have been well managed; it ought not to have been possible to spend so much as that in those days.

2750. That saving does not arise from any change as between the Departments?—No, that does not arise from any change of that kind. I mention these figures to illustrate what can be done by the constant application of rules, which I believe to be the great cause of that great reduction.

2751. Are those rules communicated to other Departments at all, or are they only within your own Office?—They are only our own rules; most of the other Departments know them now fairly well, because we constantly refuse the applications on the ground that it is not the rule of the Department to do so-and-so.

2752. Supposing that a request for something in the nature of a small repair, as defined by Sir Arthur Blackwood, comes to you; in how long a period, roughly speaking, do you think the matter would receive attention?—In London it is attended to within a week, I should say. In the provinces we should take two or three days extra, perhaps. Urgent requisitions would be attended to even more quickly.

2753. Can you give us the total sum of money which you administer in the way of new works or repairs over the whole; I mean the total sum respecting which any correspondence might arise?—I could, of course, make that out very easily. I know the total of our Votes this year is about 900,000 *l.*; but that includes the Survey Department, which is over 200,000 *l.*

2754. I will ask you this question, which is the object of my former question; in respect of what proportion of the total has any correspondence arisen, such as the filter incident, in which there has been what might be called an unreasonable delay?—I should say a very infinitesimal proportion.

2755. Could you mention a figure?—I should have great difficulty in naming any figure without looking into the items.

2756. You cannot indicate any figure?—I should not like to try and name any figure, but I should say it was very small.

2757. Would you say that there had been twenty such incidents in the year as the filter incident?—Certainly not.

2758. Should you say there had been ten?—Certainly not.

2759. Should you say there had been five?—In the year I should say not more than about five. I may mention that the other day, after Sir Arthur Blackwood gave his evidence, I was speaking to him, and he made a list of similar cases since the year 1884, and I doubt if there were a dozen altogether.

2760. Mr. Brunner.] I want to ask you a question with regard to the orders, or rather, perhaps I should say, requests, from other departments for new buildings

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buildings or alterations of buildings ; do they come direct to your Department, or go in the first instance to the Treasury ?—They first come to us, in order that an estimate may be formed as to what the cost would be.

2761. It would perhaps suit your convenience and that of the Committee if you describe the course of procedure in the case of a demand for new buildings from any one of the departments in any given town ?—Taking a given town, in which the existing post office is admittedly insufficient, the first thing that we should do would be to inquire whether alterations could be made to that building to fit it for the work, and if it is found that there is no power of extension or alteration, then we agree that a new post office must be obtained.

2762. The request, as I understand, comes in the name of the Postmaster General to you ?—Yes ; then, it having been settled that a new post office must be acquired, the first thing to do is to acquire a site. The purchase of sites and the provision of the necessary funds for purchasing sites is a Post Office matter ; but, practically, they use our officers for the purpose of acquiring the site, to a very great extent, and we work very much together. In those cases the Post Office would write to us, and ask that our surveyor should inquire about the site. Probably, first of all, the Post Office surveyor will hear of one or two sites that he thinks may do.

2763. When you say the "Post Office surveyor;" what is the Post Office surveyor ?—The Post Office surveyor is, as I understand, a travelling officer, who has a certain division of the country under him, and goes about to different post offices and arranges the postal business generally, and makes arrangements about the mails and the staff. He is, in fact, travelling inspector.

2764. But he is not an inspector of buildings, is he ?—No, he is not an inspector of buildings. He probably, from his knowledge of the town, or the postmaster from his knowledge of the town, hears of one or two possible sites. The Post Office then write to us to say that they have heard of a site, or have received offers of a site, and they ask that our surveyor should inspect it and report upon it, and give a valuation of it. That having been done, when the two Departments have agreed that the site is suitable, and that the price at which it can be obtained is reasonable, the Post Office then write to the Treasury and ask for leave to purchase it. Leave having been obtained, our surveyor would proceed to prepare plans, and an estimate of the cost of erecting the building. Throughout these negotiations we are in constant communication with the Post Office, or perhaps I should rather say that our surveyor and the Post Office officials are in constant communication, and having jointly formulated their proposals, we report them in official form to the Postmaster General. If he approves and agrees, he then applies to the Treasury for sanction for the expenditure upon the building. That having been obtained, the Post Office then inform us that they have obtained the sanction for it, and we proceed to make the contract for the building.

2765. Do you mean for the purchase of the site ?—I am assuming that the site has been already purchased by the Postmaster General.

2766. You do not purchase the site ?—We do not actually purchase the site ; throughout the negotiations for the purchase of the site our officers are employed to give the necessary technical advice as to whether the site is adapted to a building such as is required for the Post Office purposes ; and also to give some opinion as to the value, although upon that point it is probably necessary to take an independent opinion generally.

2767. Do you mean an independent professional opinion in the locality ?—An independent professional opinion is generally necessary as to the value of an important site.

2768. I take it that you would describe your position with regard to the Post Office in the case of the purchase of a site and the erection of a building rather as advising the Post Office, and aiding the Post Office, than as acting independently of the Post Office ?—As regards the purchase of the site, certainly ; as regards the building we have more independence. On the other hand, we have to work in constant communication with them, and we have to constantly consult them as to points with regard to the building. We should not think of proceeding to erect a building, or put in any special feature in a building, in

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opposition to the Postmaster General; they know the purpose for which the building is required, and we have to consult them at every step practically.

2769. Mr. Jackson.] In fact, you are their architect and clerk of the works?—Yes.

2770. Mr. Brunner.] In the case of the buildings to be jointly occupied by two or more Departments, you are in precisely the same position with regard to all the Departments that you have described as you are towards the Post Office, I presume?—Yes.

2771. Will you kindly tell us whether many alterations are made in buildings which you had up to that time considered complete?—In post offices, certainly, but not very much in other buildings. We very often have to alter post offices in consequence of the growth of business. For instance, the parcel post involved considerable alterations to almost every office.

2772. I was alluding to new buildings; after a new building is considered by you to be completed, do you receive requests for alterations?—We do, undoubtedly.

2773. Before the buildings are occupied?—More often after they are occupied. When they come to be occupied, improvements suggest themselves to the people occupying them.

2774. Does that frequently occur?—Yes, undoubtedly.

2775. Must we judge from that that the consultations have not been sufficiently careful?—I think it is almost inevitable in occupying any new building that when people get into it they find little alterations which are desirable.

2776. And you would not say that those alterations were more than could be fairly described as little alterations?—No; I think, taking the principal offices that have been built of late years, there have been wonderfully few great alterations. Taking Manchester and Bradford, for instance, and some of those principal offices which we have opened of late years, they stand very much as they did.

2777. That would apply to buildings erected for other Departments as well as for the Post Office, would it?—Yes; we have had very little building for other Departments of late years, unless you go back to the new Foreign Office; that was the last big building.

2778. You told us a while ago that most Departments now know the rules of the Office of Works?—Yes.

2779. Have they had to learn those rules by the experience of rebuke from you?—I should think when the rules first began to be applied there must have been a good deal of correspondence about them.

2780. Are all the Departments furnished with copies of your rules?—No, we have no formal code.

2781. Would you recommend that regulations which you have finally adopted should be communicated to all other Departments to whom the knowledge of the rules would be useful?—I should see no objection to that. I do not think it is very necessary; I think it is now so thoroughly well understood in most Departments what our rules are that I should think that would hardly be worth while. We have, I may mention, quite lately, as regards the Post Office, issued a printed list to postmasters of articles that we do not as a rule supply. That I think will be rather useful.

2782. I quite agree with you that that is very useful; but do you think that that system might wisely be extended?—I do not see any objection. As I say, I think, in the London offices it is pretty well known what we will give and what we will not give; and I do not think that there is any particular object in issuing a statement upon the subject.

2783. Chairman.] How many local offices have you?—Three. We have one in Edinburgh, one in Leeds, and one in Bristol.

2784. Mr. Raikes.] You have told the Committee that you regard the system by which the Office of Works conducts all the building and repairs of other Departments as being generally conducive to economy. I do not want to challenge that as a general principle, but I should like to ask you whether, since you have held your present office, there have been any instances in which

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Estimates submitted by the Office of Works to the Post Office have been referred back to you by the Post Office, because the expenditure appeared to be larger than would be justified?—Yes, no doubt, there have been occasionally.

2785. And, of course, it has not been possible for you to exercise any check upon the Post Office, though the Post Office is in a position to exercise a check upon you?—The particular case that I was thinking of at that moment was, such a case as this which actually happened somewhere in the East-end, I forget the name of the post office, Forest Gate, I think it was. We were to build a new sorting office, and we sent in an Estimate of 1,800 £., and the Post Office wrote back and said that that was more than they wished to spend; could not we reduce the amount? To which our answer was, that we could only reduce the amount if the requirements of the Post Office could be reduced; that our building represented a building at such and such a rate (it was a very low rate. 4½ d. a cubic foot), and that unless they reduced the requirements of the Post Office we did not see our way to reducing the cost of the building. There has been more than one case of that kind, but that is the most recent that I remember.

2786. And it is the case, is it not, that there have been Estimates prepared by the Office of Works and approved by the Post Office in which the Treasury has declined to sanction the expenditure?—Yes.

2787. Those are not infrequent, are they?—I think that there are many cases in which the Treasury have brought pressure to bear upon both the Post Office and the Office of Works to reduce the amount of the Estimate; but I think sooner or later we have obtained sanction.

2788. By steady pressure, that is to say, on the part of the Office of Works, the reluctance of the Treasury has been not infrequently overcome?—I could point to several cases in which we have distinctly reduced our Estimates in consequence of Treasury pressure.

2789. With regard to the sites, you have given the Committee a very lucid explanation of the present system by which you frame the Estimates for the buildings; but the Post Office frames the Estimates for the sites, and you have told the Committee that in framing the Estimates for the sites the Post Office is largely guided by the experience and advice of your officers; do you not think it would be a more convenient arrangement if the same Department was responsible both for sites and buildings, supposing that it was your Department?—I think that, for statistical purposes, it would be very desirable that the Vote for sites should appear with the Vote for buildings. I think that it would be an advantage to show what each post office cost, site and building combined, which you cannot now very easily find out from the Estimates or the Appropriation Accounts; but I do not think that it would be advisable to alter the present routine as regards the purchase of sites; I think it is better that the principal agent should be the Postmaster General, assisted by the advice of the Office of Works officials.

2790. Is not the proceeding so closely analogous in the two cases, that there is an apparent anomaly in putting on the Office of Works Vote the expenditure for buildings, which cannot be commenced until the site has been acquired, and in putting on the Post Office Vote the expenditure upon a site, when the Postmaster General acts under the advice of your officers?—Yes, I think that it is an anomaly, and I think that the cost of sites ought to be shown in our Vote.

2791. You have explained to the Committee what is the proceeding followed in the case of repairs to Crown offices; you are, of course, aware that the great majority of post offices in the country are not Crown offices?—Yes.

2792. What control have you over repairs in the case of those offices which are not Crown offices?—They are generally governed, I think, by the agreement for the hiring of the premises. I take it that in the very great majority of cases where the post office is not a Crown office the Postmaster General makes an arrangement with the postmaster; but whether he does, or whether we hire from somebody else, the repairs would be governed by the terms of the lease.

2793. In fact, there are two systems; first, the Crown offices, where you are responsible for the repairs; and secondly (which as a matter of fact, I believe,

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[Continued.]

are the great majority), post offices where the method of carrying on repairs is independent of you, and not necessarily controlled by your Office?—In a great many of those the repairs are controlled by us. In all the more important ones, I take it, the repairs are done by the Government, not by the lessor.

2794. I was just coming to that; that is a further subdivision. But we may divide the post offices in the country into two classes; the one class is the Crown offices, which are entirely within your jurisdiction?—Yes.

2795. The other class is the hired offices, which are not entirely within your jurisdiction?—Yes.

2796. And I should be right, should I not, in saying that as regards the offices of the second class, the hired offices, there are some in which your Office would carry out repairs, and there are others again in which the local postmasters, by agreement with the Postmaster General, would carry out the repairs?—Yes, I believe so.

2797. In fact, there are three systems?—I should say not more than two, as there would be little or no difference between the system in the Crown offices and the system in the leasehold offices, where we, the lessees, do the repairs.

2798. In such cases it is the fact, is it not, that the Postmaster General would not be bound as a matter of course to come to you upon the question as he would in the case of the Crown office?—I think so. I think it would be precisely the same.

2799. The practice would be the same?—Yes.

2800. But there is no jurisdiction exercised by your Department, I take it, over any hired premises, identical with that which you exercise over any buildings which are the property of the Crown?—I think it would be precisely the same.

2801. Perhaps you will tell the Committee whether it is the universal practice of the Post Office to hire premises upon a lease, for the lessee to repair, or is it their universal practice to hire them upon an agreement for the lessor to repair?—I do not know that there is any absolute universal practice. I should say, as a rule, that if we take a lease for any length of time, 7, 14, or 21 years, the lessee does the repairs. Certainly, in the majority of cases, I should think we take a repairing lease.

2802. Are you aware that there are between 15,000 and 20,000 post offices and sub-offices?—Yes, including all the very small post offices; that is including sub-offices, which are not exclusively post offices.

2803. Therefore you would hardly say that the Office of Works had any jurisdiction in the majority of the 15,000 or 20,000 offices?—As regards the question at present before this Committee, I should think that the offices where a shopkeeper is merely paid a certain fee for keeping a post office at his shop, might be excluded altogether from consideration.

2804. What I want to draw from you is this: I think you will probably concur with me in saying that under the present system, in the very large majority of offices which are used for the receipt and delivery of letters (that is to say, offices and sub-offices), the Office of Works has no control whatever?—If all the sub-offices are to be included, and if a village shop which acts as a post office is included, then certainly, in the majority of cases, we have very little to do.

2805. Your jurisdiction is limited to the more important offices?—Yes.

2806. In all the other offices the Postmaster General is obliged to make his own arrangements for repairs?—Yes, if there are any arrangements to be made.

2807. Mr. Jackson.] Could you explain that matter to the Committee and give us any idea whether there are any such repairs made, or what the practice is?—That would not come within my knowledge; but I imagine that in the ordinary small post offices the postmaster would be made responsible, and if the Post Office surveyor came round and found the place in disorder, he would report him; that, in fact, it is made a condition of his holding the post office, and being paid a small salary as postmaster, that he is to keep the place in good order, and provide a proper counter, and so on.

2808. Mr. Raikes.] All I want the Committee to understand from you is this: that the existing system does not provide for the competent control, supervision,
and

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[Continued.]

and execution of repairs by your Department, as regards all buildings which are under the control of the Postmaster General?—It does not, in that sense.

2809. Therefore, in so far as your jurisdiction does not extend, it is necessary for the Post Office to supervise and execute those repairs upon such terms as they may agree upon themselves?—Yes.

2810. Mr. *Heneage*.] Is it not the fact that in these small offices all that is done is this: the shopkeepers, or whoever it may be, provide accommodation for the Post Office, and the Post Office has really nothing whatever to do with the building at all?—That is my impression.

2811. *Chairman*.] Do you know whether the Post Office have any staff who survey the buildings?—They have not surveyors in a technical sense; that is, surveyors of buildings.

2812. Or surveyors of repairs?—I believe not.

2813. Mr. *Dixon-Hartland*.] Do your surveyors go round to all these little post offices and report?—No.

2814. *Chairman*.] May we take it that the Post Office has no surveying staff of any kind with regard to the building or repairing of post offices?—I am not aware of any.

2815. Mr. *Dixon-Hartland*.] Do your surveyors do anything except with regard to what are called the Crown post offices?—A building held under lease would be under them.

2816. You mean a lease to the Crown?—Yes.

2817. But in cases where the agreement is made by the Postmaster General, would your surveyors have anything to do?—No, we have nothing to do with that where the agreement is for the partial use of premises as a post office. But where we hire an entire building or premises to be used entirely as a post office, we should do repairs in the same way as we do repairs in Crown Offices.

2818. Have you any idea of the number of Crown post offices?—I have not got the number here; but the number of Crown post offices has very much increased of late years.

2819. Mr. *Brunner*.] Do you know whether the Post Office does any repairs of which your Department has no official cognisance?—To the best of my belief not.

SIR ALGERNON WEST, K.C.B., re-called; and further Examined.

2820. *Chairman*.] HAVE you your Estimates before you?—Yes.

2821. Will you take the principal items of increase and decrease in the various sub-heads, and give us what explanations you think advisable with regard to them?—Taking page 27 of our Estimates to begin with, Sub-head (A), which is “Salaries, Wages, and Allowances in addition to Salaries;” the Committee will see that there has been a very considerable decrease in the Vote since last year. I understand your question to be, how has that decrease arisen? It has arisen mainly from the reorganisation in our In-door Department, on the new system of seven hours’ work, instead of the ordinary Government hours of work, which we had started, I think, before any other Department, and by which we have effected an economy. It is also due to the reduction of the collections, districts and inspectors, of our Out-door Department. Those facts which I have mentioned are the cause of this decrease. I do not know if I should state what is the principle upon which that seven hours’ scheme and the different reorganisations have taken place. Our guiding principle, which the Chancellor of the Exchequer was pleased to approve and adopt, may be summed up in the words we used in our First Report to the Treasury upon the subject, namely, “that the true basis on which Civil Service reforms should proceed is, that the work should be done by fewer clerks, better paid and harder worked, and at a less total cost to the State.” That, we think, we have effected by the reorganisations which we have made.

2822. What is the total reduction of number which you have effected?—The total reduction is 237.

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2823. What

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[*Continued.*]

2823. What is the total number of persons?—At the bottom of page 40 you will see the total number of persons in our service for 1887-88 is 5,702, and for 1888-89 it is 5,507.

2824. You have told us that you have effected a reduction of 237; on the face of the Estimates the reduction is 195; can you explain the difference?—Yes; the explanation is that the whole economy is not included in this year's Estimate.

2825. Then your whole scheme will ultimately involve a reduction of 237?—Yes.

2826. The reduction already effected is 195?—Yes, rather more than that, as we took credit for some in our last year's Estimates.

2827. I suppose the effect of those reductions will show itself under the head of superannuations, later on?—Yes, that will be shown later on. I suppose you would like to postpone that till we come to deal with that heading.

2828. The hours are now seven hours instead of what?—Instead of six hours. There will be, as you have remarked, a very considerable increase in superannuation this year, which possibly you would wish me to explain when I come to that sub-head.

2829. What is the increase of salaries involved in this plan?—Of course, by men being retired, certain promotion took place in the office. Those who were promoted merely got their promotion, and the increase in the rate of pay attached to such promotion. Those who got no advantage whatever from the reorganisation in promotion were allotted a sum of 30*l.* a-year, to make up for the additional service that they rendered to the State. I do not pretend to say that any particular principle attaches to this precise figure of 30*l.*; but what I wish particularly to emphasise is, that there should not be, as has been urged sometimes, a percentage of the salaries in addition given to the men who have been there the longest, because I maintain that it does not follow that because a man has been longer in the office his services are naturally of more importance than those of younger men. The advantage of allotting that 30*l.* a year, at all events, has been this, that it has given satisfaction throughout the Department. I do not say that you may not find an individual case to the contrary, but, speaking generally, it has given satisfaction at the office.

2830. I understand you to say that you have added 30*l.* a year to the pay of every person under this Sub-head who got no promotion?—Yes; that is for the additional hour's service they render to the State.

2831. To whatever class they belong they get 30*l.* additional, do they?—Our office is divided into lower division clerks and upper division clerks. The lower division have always been on the seven hours system, and therefore no additional payment of 30*l.* was made to the lower division clerks, but only to the upper division clerks.

2832. What is the minimum salary of an upper division clerk without this increment; to what salary as a minimum do you add this 30*l.*?—I may explain that in our office we have a great many clerks who are called "redundant clerks;" those are men who came in under the old system, and who are still there. The highest salaried man in our establishment (which I understand you to be asking about) who did not get promotion was receiving 600*l.*, and he will now get 630*l.*; that is the highest; of course they become lower and lower as they go down.

2833. Mr. *Mowbray*.] What class does he come under in the Estimates?—He would be among the clerks of the old establishment, on page 29 of the Estimates.

2834. Under what heading on page 29?—Under the head of "Establishment at Chief Office, Office of Secretary," "Upper Division Clerks." There are 19 of them, as shown in the column on the left-hand side. In this reorganisation we have been very careful that, taking into consideration all the increased charge that follows from superannuations, there should still be a balance of saving to the State. We have, however, always thought ourselves entitled, in making out the best case for our economy, to deduct from the total sum for abolition that portion of it which has been already gained; that is to say, as regards the men who
have

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[Continued.]

have served 40 years and are over 60 years of age. But taking all the pensions into consideration, there has yet resulted a saving to the State by the reorganisation. Of course that saving will go on increasing as those who have received those abolition terms and increased superannuation cease to exist. Besides that there are a considerably smaller number of men earning superannuations than there were before.

2835. You have now 5,702 men on the establishment; can you tell me how many of those have received promotion, and how many have received the 30 l. increment?—There are 39 fewer men in what we call our indoor establishments than there were altogether, that is to say, 39 clerks have left the office. Then 81 men got an addition of 30 l.

2836. *Chairman.*] You have certain large figures in the Estimates of the number of your staff; I want to know what proportion are affected at all by this scheme?—May I give you the total number of our indoor departments; that is, at Somerset House, including everybody? The number of staff officers and clerks, boy clerks, and copyists is 511; then there are 242 stampers, warehousemen, and messengers, and 313 subordinates on weekly wages, including boys, occupied in stamping; that makes 555; then if you add the 511 to the 555, that makes the total of our indoor service at Somerset House. The total Excise service is 4,087; the total of our Tax Surveying Branch is 732. Those figures represent our establishment proper, making a total of 5,885. But the Committee are probably aware that we have also, I hardly know how to describe their relation to us, but perhaps I had better say, in connection with our administration, a large number of officers who are paid by poundage. They amount to the total of 12,150; that is exclusive of the 5,885 that belong to our establishment proper, giving a total, including those who are more or less connected with us, of 18,035. The bigger figure includes personal clerks to surveyors. I may explain that surveyors are allowed to employ clerks. The sum is fixed that they may pay them, but they employ them irrespective of the staff. The surveyor employs them and dismisses them; they have no superannuation, so that really they are not established officers.

2837. To how many persons has your scheme been applied?—The seven hours scheme applies to our Indoor Department only at Somerset House; it does not affect our reorganisation in our Outdoor Department.

2838. Then it applies to the 1,066 persons, does it?—No.

2839. Then are the stampers not in the Indoor Department?—Yes, but they would not be included in this scheme.

2840. Then the scheme only applies to 511, does it?—Not so many as that, because the lower division clerks were always under the seven hour system, and therefore it only applies to the upper division and staff of Somerset House.

2841. Can you give me the number of those upper division clerks to whom it applies?—It would be about 81.

2842. Do you mean that 81 is the total number, including both those who have gained by promotion and those who have received the increment of 30 l.?—No. Eighty-one is the number who got the 30 l. increment, and 63 received promotion in addition.

2843. You have given me the maximum salary; would you tell me the minimum salary of a person in the Indoor Department who has received the increment of 30?—The lowest had a service salary of 285 l.; 315 l. is the sum he has now.

2844. That uniform addition has given satisfaction in the Department, you think?—Yes, generally speaking. I think, perhaps, this might be an opportunity of saying that I mentioned a salary which appeared rather high as regards the clerks of the old establishment, namely, 600 l.; at least, it appears to me to be rather high. I do not know if it does to the Committee. Of course that is a state of things for which I am not responsible; I mean that it is a past state of scale. That will not happen again, because those clerks (who, I wish to explain, were clerks of the old establishment) would be replaced from the lower division. Supposing that a man who had 600 l. a year went, he, not being on the staff, would be replaced by what are now called lower division clerks. Therefore every redundant clerk who retires from the establishment will be

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succeeded by a man at a considerably less salary, and therefore there will be a saving on every man on the old establishment who retires.

2845. That man who received 600 *l.*, and who is now receiving 630 *l.*, as I understand you, is an upper division clerk?—He is an upper division clerk, but a clerk of the old establishment.

2846. Will you look at the note at the bottom of the 29th page to which an asterisk is appended; I see there is an explanation there, is there not?—Yes.

2847. The note is "Eighteen clerks of the present establishment rise by annual increments of 12 *l.*, and one by 37 *l.* 10 *s.* triennially. One is at 630 *l.*" That, I take it, is the clerk to whom you refer?—Yes.

2848. Will he still rise?—Of course it is open to him to be promoted, but his salary will not rise automatically.

2849. I see these are called "personal salaries;" that means, I presume, that for some special personal reasons their salaries are out of the usual course?—Quite so.

2850. Then will you proceed with your explanation?—May I say that the same principles which I have quoted as guiding us in the reorganisation of our indoor service has guided us in the reorganisation of our outdoor service. We have, in all the reorganisations we have made of the outdoor service, endeavoured to concentrate the work, and in such concentration and addition of work we have invariably, as it were, shared with the servants employed the gain that has been got; that is to say, in any such saving as we have effected we have given a proportion of that saving to the salaries of the officers employed. The position of the outdoor officers has never been so good as it is now, and the revenue has never been collected so cheaply as it is now. No such revenue has been collected as the revenue for the last year in which our accounts are absolutely completed, namely, 1886-87, since the year 1816. I may remind the Committee that there were enormous excise duties in 1816. May I say here that I hope the Committee, in judging of the extravagance or economy of a Department such as ours will be guided by the consideration of the percentage cost of collection, because I think that that is the true test. It very often is advantageous to us, from a revenue point of view, to increase expenditure; for instance, with the large growth of population it is necessary to increase our officers. Some towns within the last ten years have doubled in population, and in those cases it is necessary to have more surveyors of taxes. We have had, for instance, six in the last year; and though that means an addition of outlay, it means a considerable addition of receipts. I have here some papers which I prepared for the Commission on which Sir Matthew White Ridley is sitting, in which I showed that taking 40 years ago, a time when the income tax was the same as it is now, the cost of collection was 4½ per cent., and we have now reduced it to 3½ per cent., or rather less. The exact figure is 3 *l.* 8 *s.* per cent. Therefore, our cost of collection is more than 1 per cent. less than it was 40 years ago, notwithstanding the enormous increase of revenue and the enormous increase of population.

2851. Mr. *Mowbray*.] Is that as regards the whole of the revenue?—Yes, that is the whole inland revenue; in fact, it is the whole of the revenue of the country except the Customs and miscellaneous receipts.

2852. Mr. *Richard Chamberlain*.] Would you give us those figures again a little more in detail?—Yes. In 1847-48 the total actual gross receipts were 32,811,691 *l.*, and this revenue was collected at an expense of 1,450,940 *l.*, being a percentage cost of 4 *l.* 8 *s.* 5 *d.* In 1886-87, the last year for which our accounts are complete, our gross receipts were 55,577,205 *l.*, collected at an expense of 1,892,690 *l.*, being a percentage of less than 3½ (I believe it is precisely 3 *l.* 8 *s.* per cent.), notwithstanding that the growth of population from about 28 millions in 1847 to 37 millions in 1887, has tended to make our labour more extended. The population, of course, is the field of our collection. While, therefore, our receipts have increased from 33 millions to 55½ millions, or about 68 per cent., and the population has increased by about 32 per cent., our expenditure has only increased from 1,450,000 *l.* to 1,892,000 *l.* (about 30 per cent.), and the percentage cost of collection has actually diminished by one.

2853. *Chairman*.]

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2853. *Chairman.*] Will you kindly proceed with any explanations you may wish to give us regards increases or decreases in the other sub-heads?—Sub-head B., “Travelling and Subsistence Allowances,” is the next. Upon that sub-head there is also a saving, which can be explained shortly. There was formerly a practice (which we have been diminishing as rapidly as we possibly can) of sending officers round to what are called sittings. They appointed certain hours in certain towns, at which those collectors sat and received the duties. The traders were advised of those sittings, and they came personally to pay them. We found that no longer necessary by reason of the great facilities given to us by the Post Office (who I may say are always giving us the greatest facilities), who gave us free post office orders, thus enabling the traders, at far greater convenience to themselves, to make their remittances by post instead of personally attending. We believe that that arrangement has given great convenience to the public, who suffer in no way from it, and it has resulted in a considerable reduction in the travelling and subsistence allowances. We have also in many other ways made arrangements for decreasing our travelling and subsistence allowances. Then taking the next Sub-head, C, “Salaries, Poundage, and Allowances of Distributors and Sub-distributors of Stamps,” there again there is a reduction. The old system, when I first went to the Board of Inland Revenue, was to have distributors entirely unconnected with the establishment, who were paid by poundage. For instance, the distributor at Manchester received over 2,000 *l.* a year; the distributor at Belfast received 2,000 *l.*, and the same in Newcastle, and so on. The posts of most of our larger distributors have fallen vacant, and as they fell vacant we have distributed the stamps in those places by means of our own officers, or through the local post offices. Therefore there is a gradual economy on that score.

2854. That reduction has been going on for a number of years, has it?—Yes, steadily. Then in Sub-head D, “Poundage and Allowances,” there is a small reduction, in consequence of the reduction of the income tax from 9 *d.* to 7 *d.*; it will be greater, but the accounts of the clerks to the Commissioners are not yet closed, and therefore we could not bring it up to date. Then in Sub-head E, “Poundage, &c. to Collectors and Assessors of Taxes,” there is a very large addition. That increase has arisen entirely, or at all events very nearly entirely, from the new assessment under Schedules A and B, which is a triennial assessment; in the next two years there will be no such charge. But from a Chancellor of the Exchequer’s point of view that outlay is generally an advantageous one, because while the expense of poundage is considerable, the increase of the tax from the increased valuations in Schedule A. even in these times is advantageous. At any rate we cannot help ourselves whether it is advantageous or not; that is the charge according to the law.

2855. I understand you to say that the assessment is triennial, and you have to pay more under the new assessment?—Yes.

2856. How does that affect the collectors?—Strictly speaking it does not affect the collector, but I think, perhaps, the object of your question is, how do we account for that money. I may explain that the assessors are paid by poundage as well as the collectors, and that it is the assessor who gets this poundage.

2857. *Mr. Heneage.*] The total amount is poundage to collectors and assessors, but the increase is due to the increased poundage to collectors only?—Yes.

2858. It comes under the Sub-head 5 of E., on page 44, I presume, “Extra poundage to Collectors of Income Tax.” That is the extra amount that is charged; is that so?—No, that is the “extra poundage;” extra poundage and statutory poundage are quite different things. It is a most complicated question, and I do not know whether the Committee would like to go into it.

2859. *Chairman.*] Will you explain to us the details under Sub-head E?—The details are given on page 44.

2860. You have first of all, in Item 2, considerable increase in the statutory poundage to collectors and assessors, an increase of 16,000 *l.*, and then you have a considerable increase also in Item 5, extra poundage to collectors of income tax, England?—Yes. Shall I take first Item 2? That 16,000 *l.* is made up in this way: assessors’ poundage, A and B Schedule, being the year of new assessments

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assessments under those schedules in country districts, say 20,000 *l.* less 4,000 *l.*, decline under statutory poundage on tax at 7 *d.* in the *£.*, making a net increase only of 16,000 *l.*

2861. That increase is in respect of assessors and collectors?—Yes, that is so.

2862. Then you have a considerable increase under Item No. 5?—Yes.

2863. That is extra poundage to collectors?—That is extra poundage beyond the statutory poundage, which increases as the tax goes down. Perhaps that requires some explanation. Would you like me to explain the very difficult question of poundage before I go into the details of Sub-head E? It is a most complicated and difficult question, and I only hope that I shall be able to make it at all clear. I may begin by mentioning the officers who are entitled to poundage at all, before I state the sums to which they are entitled. There are clerks to the Commissioners, there are assessors, and there are collectors; those three classes of officers may be three distinct classes, but in practice the same person as is the assessor is frequently the collector. It need not be so, but in practice it constantly is so. Now, the clerks to Commissioners, of which there are about 800, are paid a statutory poundage of 2 *d.* in the *£.* on the first 500 *l.* and then 1 *d.* in the *£.* on all subsequent duty collected. I want to draw the line broadly between statutory and extra poundage; the assessors are paid 1½ *d.* in the *£.*, and that never varies.

2864. Mr. Mowbray.] What number of assessors are there?—I cannot give the number of assessors as distinct from collectors, but if you will put the collectors and assessors together, there are over 10,000. The amount, as I was saying, has never increased in any way as regards the assessors. Now we come to the collectors; the collectors receive 1½ *d.* statutory poundage, the same as assessors, on the amount collected, that is to say, on the adjusted assessment. Many years ago it transpired from communications received from what I may call local commissioners, that they could not in those days get proper and competent men to collect the tax at such a small salary. Thereupon the Treasury authorised the then Board of Inland Revenue to endeavour every year to arrive at such an amount of extra poundage as would prevent great fluctuations in the salaries of those collectors; and as I said before, though it may sound odd, as the tax diminishes that extra poundage increases, and as the tax increases that extra poundage diminishes. Then following upon this question of poundage comes a suggestion from our Board, which has been constantly pressed upon various Chancellors of the Exchequer, to the effect that the poundage to collectors is not a cheap or good way of collecting the revenue. We have (I am speaking of my own time) invariably felt that very strongly, and in 1883 we persuaded the Chancellor of the Exchequer, who was then Mr. Childers, to propose the collection of the whole of the D. and E. income tax by our Inland Revenue officers. That proposal was defeated in the House of Commons, unfortunately, from our point of view at any rate. We then estimated that the saving by that process would have amounted to 30,000 *l.* a year. Mr. Goschen again introduced the same proposition on a larger scale last year, but withdrew it at the end of the year. I could not tell the Chancellor of the Exchequer at that time that we should make an equal saving, for this reason, that so satisfactory to the public has proved the collection of income tax by our officers, that nearly all the large towns in England have since that time come voluntarily to us and asked us to collect it, and therefore the thing has come into our hands automatically. I have a list by me of the great towns that have voluntarily asked us to collect income tax under Schedule D. and E. (I separate D. and E. from A. and B., because we never thought that we could well collect A. and B., as it requires so much local knowledge, and we did not see our way to providing so many local officers): Liverpool, Manchester, Nottingham, Leicester, Leeds, Hull, Newcastle, Cardiff, Bradford, Hereford, and Bristol; all those towns and others have come to us and asked us to collect income tax for them, and we have done it through the means of Inland Revenue officers, and have effected a saving of about 5,000 *l.* a year by that means.

2865. Chairman.] I thought that you commenced your evidence by referring to the statutory poundage of 2 *d.* in the *£.*?—It is 2 *d.* in the *£.* for clerks to Commissioners.

2866. Does

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2866. Does that appear under Sub-head E?—That appears under Sub-head D, on the page before, "Poundage Allowances for Expenses to Clerks to the Local Commissioners of Taxes."

2867. I see there "statutory poundage in respect of assessments and on sums discharged from assessment;" that is 2 *d.* in the £.?—That is the 2 *d.* in the £.

2868. To whom is it paid?—To the clerks to the Commissioners.

2869. Will you proceed with your explanation?—I think, unless any further question suggests itself, that is the best that I can do in explaining this very complicated question of the poundage; I will, therefore, pass on to another item.

2870. Mr. *Richard Chamberlain.*] You did not tell us at what tax the 2 *d.* was paid; it is more than 2 *d.* if the tax decreases below a certain amount, is it not?—No, to the collectors. Clerks to the Commissioners are paid 2 *d.* in the £. on the first 500 *l.*, and then 1 *d.* in the £. on the balance collected, irrespective of whether the tax is 2 *d.* or 1 *s.*

2871. Mr. *Mowbray.*] Do I understand that the Inland Revenue officers, in places where they are employed voluntarily by the big towns, you mentioned, are not paid by poundage?—I should like to put it very broadly, that no Inland Revenue officer whatever is paid by poundage.

2872. Mr. *Heneage.*] Does he receive any increase of his salary there, having to do extra work?—He does not; the only increase of cost to us is the very small sum which we have to pay, amounting, as I said, to only about 1,000 *l.* in the year, to our Inland Revenue officers who, after they have done their day's work, are employed in going round in collecting any arrears which may be outstanding.

2873. *Chairman.*] Do I understand with regard to the increase of 30,000 *l.*, under Sub-head E., that there will be an equivalent reduction next year?—Certainly.

2874. Will you proceed with your explanation?—Then I will pass on to Sub-head F., "Commission and other Charges on Remittances." There is a small decrease there: that is merely owing to the reduction of the tax last year, from 8 *d.* to 7 *d.* We pay a commission to the Bank of England. Then in the next head, "Police," the decrease is a very small sum. We have given up some offices at Tower-hill. Then on the next sub-head, H., there is a little increase in regard to "instruments," which is owing to some of the saccharometers having worn out since 1881. Perhaps the decreases upon the sub-heads on page 27 are too small for the Committee to wish to go into them. Then there is a biggish increase again in Sub-head N., "Copies of Poor Rates, &c., for Income Tax purposes, and Copies of Wills in Scotland." Perhaps I need not say a word more about that than I have already said, with regard to the previous 30,000 *l.*, in Sub-head E. We are bound to get copies of the poor rates, as they are the basis of our assessment, and that increase, of course, is due to the triennial assessment for A. and B. schedules; that follows from the same cause as the increase of poundage. Then "Copies of Wills in Scotland," is a portion of that sub-head. I may tell you that some four or five years ago it was the practice for the Probate Office here to furnish us, for the purpose of death duties, with copies of all wills of deceased persons. We made a reform there, by which we saved 6,000 *l.* a year in copying at the Probate Office.

2875. Going back to that item of 14,500 *l.* for "Copies of Poor Rates, &c.," how does the sum come to that amount; are these printed documents or written documents?—That is the sum actually paid for the copies which we have to have made of the poor rates throughout the country, the poor rates throughout the country being the basis of our assessment for Schedules A. and B.

2876. Then these are manuscript copies made for you, are they?—Yes, extracts made at the local offices. Then, perhaps, I may pass over the small items which come next, "Law Charges, Solicitors' Offices and Law Charges Expenses of Prosecutions." Then "Rewards to Officers and others for Detections" is the next sub-head. There is rather a large increase there which, I am sorry to say, has

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has arisen partly from the very lawless state of things on the west coast of Scotland; and I will not say that Ireland is altogether free from responsibility for it, but it is mainly due to Scotland. I ought also say that some of it is due to London. We have had, as the Committee is doubtless aware, great discoveries of adulteration in beer.

2877. Then we come to Sub-head T., "Superannuations"?—Yes; then we come to the large question of superannuations. There is, as you perceive, a very large addition to the Superannuation Vote of 24,750 *l.* A greater part of that sum, of course, is owing to the reorganisation.

2878. How much is owing to the reorganisation?—Perhaps I may put it in this way: 15,500 *l.* out of that 24,000 *l.* is attributable to men who have actually earned their pensions; that is to say, men who are over 60 years of age, and have had over 40 years' service. Of the remaining 8,500 *l.*, 2,000 *l.* is the cost of abolition terms granted in the in-door service; that is, of course, more than covered by the 16,000 *l.* saving under the first head, A. But I think the Committee should bear in mind that there are 237 men less who are earning superannuation in the future. This sum as superannuation will be a gradually decreasing sum for the future; indeed it has already decreased, for since we made this Estimate we have had three deaths of men who were receiving considerable superannuations, which has helped us out. Our proportion of pensions to salaries is at present 21 per cent. In 1850, I may say that the percentage charge of superannuations to salaries was 32·32. In 1860 it was 26·89; in 1869 it was 23·98. In the interval, it went down lower to 19½ per cent., and it is now only 21 per cent., and that will, of course, be a steadily decreasing sum. That, I think, brings me to the end of the summary of the increases and decreases for the year.

2879. What is the decrease under Sub-head V., "Annuity to the National Debt Commissioners for Commutations of Pensions," due to?—It is due to the expiration of annuities for pensions which were commuted 10 years ago.

2880. Now would you enter a little further into the question of possible future economies; you are contemplating further economies, are you not?—Certainly. One automatic economy will be, as I said earlier in my evidence to-day, in regard to clerks on the old establishment. I should explain that I am only giving you my opinion, and when I speak of the economies that would be effected, I mean if the proposals which I am making were followed by the Treasury, to whom, of course, I am subordinate. If my ideas are given effect there will never be in the Inland Revenue Department an examination for Class I., which means higher-class examinations. I am perfectly satisfied that the men who now enter the lower division will be always fully competent to take the place of any of those men as vacancies arise, and therefore there will be a gradual and steady decrease in the expense.

2881. Are you at present acting upon that view?—I am at present acting upon that view, certainly. There are many offices which, if they fell in, would certainly not be filled up with my approval. In addition to that, I look forward to the time when the greatest and most important of all reforms, so far as I am connected with them, will come. I do not know whether it will come in my time, but the most important reform, so far as I can foresee, will be the amalgamation of the Inland Revenue and the Customs, which to my mind would lead to an enormous economy.

2882. Mr. Henniker Heaton.] Then you are in favour of the amalgamation of the two Departments, are you?—Strongly; and I have been ever since I have been at the Board. It would be the greatest benefit to the public; it would lead to a simplification of the law and a large reduction of expenditure. And I am unaware of any drawback except one, which of course will have to be faced by any Government who carries it out, and that is, that no doubt you are bringing a very vast number of civil servants under one Board; I admit the disadvantage of that. On the other hand, I think there is a counterbalancing advantage in the prevention of that perpetual system of comparison which now goes on between the two Departments. An officer in the Inland Revenue, for instance,

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instance, will say, "I only get so much and the Custom House officer gets so much," and comparisons are constantly being made. That I think is a very disadvantageous state of things. Then there is another reform which I look forward to, and that is the reduction of the pensions. I think the State is far too generous in the pensions which it pays to the Civil Servants at present. The Committee will quite understand, I hope, that I am only giving my views; because of course all these things have to be decided upon by higher authorities.

2883. *Chairman.*] Have these views which you are expressing been laid before the Treasury?—Not officially, but I have expressed my views to successive Governments without any reserves.

2884. Formerly?—Ever since I have formed an opinion upon the subject, and I may say that I have never heard any objection except as regards the opportuneness of the time and considerations of that kind.

2885. Before you pass from the subject of pensions, I should like to ask, have you any specific alterations to suggest with regard to pensions?—I have a suggestion, for what it is worth.

2886. What is your suggestion?—When I first entered the service, 5 per cent. was deducted from my salary for superannuation; and in that arrangement, so far as my opinion went then, and so far as it goes now, there was only one fault, which was this: I thought it hard, and I still think it hard, that supposing a man dies after having served forty years in the Civil Service—5 per cent. having been deducted from his salary all that time—his widow and children did not get one farthing of that money returned. I think that was a just grievance, because the State, I believe, actually profited by the deductions which they made from civil servants. I believe if that adjustment had been made, and that point had been conceded, Sir George Cornwall Lewis, who was then Chancellor of the Exchequer (in 1858 I think it was), would not have been defeated; but the Government refused to make that concession, and the result was the addition of 5 per cent. to all our salaries, which I have enjoyed ever since. I think a deduction of 5 per cent. for pension is a fair and reasonable deduction to make from a civil servant, with the proviso that it should be his own money. I am not talking of a case of misconduct, of course, but I think that the State should not make a profit out of a man if he has served and put by that sum all those years. I think it is a reasonable deduction to make, because the present rate of pensions, in my opinion, is excessive.

2887. Do you refer to the present rate under the Superannuation Act of 1859?—Yes; I think it is excessive, or rather, I will say, unnecessarily generous.

2888. Taking the present rate of pensions under the Superannuation Act of 1859, what percentage on the pay would constitute a fund sufficient to meet these claims. You referred to a 5 per cent. reduction only, but you would require more than 5 per cent. now, I presume?—I cannot answer your question at the moment, but no doubt the Accountant General will be able to do so. I hope I have made myself understood, that I did not mean that the civil servant was to provide the whole of his pension. My idea was that it should be divided between the State and the individual.

2889. I understand you to say that you would prefer returning to the old principle of providing for pensions, by a fund created by an annual contribution, either by the State or by the civil servant, or by each of them in certain proportions, from the moment a civil servant entered the service of the State?—Yes.

2890. That is to say, returning to the old plan?—Yes, partially.

2891. A short time ago you told us that the pensions at present amounted to about 20 per cent. of the salaries?—Yes, 21 per cent., in my Department.

2892. That would not mean, would it, that you would require a yearly deduction or allowance of that percentage, in order to create a sufficient fund for pensions?—I did not mean to express an opinion that the civil servant ought to contribute the whole.

2893. I am not dealing at the moment with the question of whether the amount is contributed by the State or by the individual, or by both, in certain proportions.

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portions, but what I wanted to get at was, what per-centage of the salaries, from the moment when they began to be earned, would meet the outlay that was required for pensions?—I am afraid I could not give that at the moment.

2894. Then do you think a deduction from the salaries representing only a very small addition to the 5 per cent. from the moment when the salaries began to be received, would provide a pension of the same sum that the pensions now amount to?—Not of itself alone. Then, dealing with economy, there is only one other point which I should like to refer to. I think that economies should certainly be effected in the earliest stages of the Civil Service. I think the large sums that are given to young men are quite unnecessary, and, in fact, more than unnecessary; I think they are harmful. A young man on first entering the service finds himself a rich man, and is dissatisfied afterwards at not getting more rapid promotion. I would say, rather let the sum be diminished at the bottom and increased as he gets up.

2895. You would regard it in this light, would you not; that a young man, as soon as he gets into the Civil Service comes into possession of an immediate income which is certainly more than he would otherwise obtain, and which cannot, with any due regard to economy, increase during his life in proportion to the natural increase of his family responsibilities?—Quite so.

2896. And you would say cut him short while he is a bachelor, and let him be a little better off further on?—Yes.

2897. Then I think you wish to say something as regards economy in respect of the question of leave?—Yes, I think the leave ought to be adjusted. In our own office it varies very much. I should like to make a distinction in the first few years, because I think a lengthened holiday to a young man is very often an occasion of unnecessary expense. But later on as his salary increases, and as the work becomes more brain work than of a mechanical character, I think the man is entitled to more leave. Taking the service all round, perhaps three weeks, for the first few years, then a month, and then six weeks, I am bound to say I think would be a very fair proposal. There is one other point in connection with pensions which I ought to have mentioned in respect of the money being the property of the person from whose salary it is deducted. One advantage would be the greater ease of getting rid of civil servants, at a certain age. To all Civil Service reforms, that is most important. I think the State ought to have an absolute right to call upon everybody after 60 years of age to retire without a murmur, or a word, and at 65 it should be still more imperative; and nobody should be allowed to remain in the Service over 65 years of age, except in very special cases. There might be circumstances I admit in which it might be advisable, but those circumstances are so limited that I think leave to remain should only be granted on distinct application of the Treasury, which should be laid before Parliament; I think the Service suffers terribly on that score.

2898. Would you apply that to the highest ranks?—To the highest ranks with one limitation: that the Treasury might ask a man over 65 years of age to stay in the service; but that letter should be laid before Parliament in the same way as a Minute granting superior pension is now laid before Parliament. That is all I have to say in the way of suggesting economies.

2899. Mr. *Raikes*.] There is only one matter which I wanted to obtain your opinion upon; it is a fact, is it not, that at present it has become the custom or will to employ the local postmaster as distribution of stamps?—Yes.

2900. How long has that been the practice?—For some years; it began about 15 years ago; it began before my time, at any rate; we have enlarged it, as you know, very much now.

2901. At present it is the practice, is it not, that the payments made to remunerate those postmasters for their services as stamp distributors come out of the Post Office Vote?—Yes.

2902. The Post Office has to pay those officers, who are their own officers, for work which is not Post Office work?—That is so.

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[Continued.]

2903. The amount is not very large, I believe?—It is about 3,000 *l.* a year, I believe.

2904. Does it not strike you as an anomaly that this service, which is rendered to one department should be defrayed out of the Estimates of another department?—Quite so; and if I might venture to make a suggestion, I think it would be quite reasonable if, with the Treasury approval, that amount was taken in our Vote, so long as the money was paid to the local postmasters by you as Postmaster General, and we had nothing to do with the paying of your officers. And I may say that all our dealings with the Post Office are so pleasant that I anticipate there would be no difficulty whatever in coming to an arrangement with the Post Office as to that. All that I should wish to obviate is the difficulty of your officers coming to us and saying, "You ought to pay us more than that;" but if you settle that difficulty I see no objection to that amount coming on our Vote.

2905. The difficulty that presents itself to the Post Office or to myself at all events, is this: that we can hardly judge of the value of the work that is rendered to another department; what may be the sum that ought to be paid for the distribution of stamps, including, as it does now, all these licenses, is a matter of which the Postmaster General has no means of judging; and we should be glad to be fortified by the opinion of your department to whom these services are really rendered, before making these little additions to salaries which are constantly asked for. Do I understand you to say that you think a scheme might be agreed upon between the Post Office and the Inland Revenue, by which the department might be guided in awarding those increases?—Yes, with the greatest ease.

2906. Would that require legislation?—No.

2907. It would only require the sanction of the Treasury?—That is all.

2908. Mr. *Mowbray*.] I am not quite certain that I understood your explanation as to that most substantial increase of 30,000 *l.* under heading E.?—That is a question of poundage, which I have tried to explain to the Committee, but it is a very difficult question.

2909. I will explain to you what my difficulty is; as I understand, the extra expense caused by the triennial valuations falls not upon the collectors, but upon the assessors?—That is so.

2910. And the increase in the statutory poundage to the assessors only amounts to about 16,000 *l.* out of the 30,000 *l.* increase?—I think included in that sum is a considerable increase for extra poundage which follows the diminution of the tax; I think that will make up the sum.

2911. What you say is that the diminution in the tax has led to an increase of as much as 13,000 *l.* or 14,000 *l.* in the extra poundage?—Of the total increase of 30,400 *l.*, the sum of 27,000 *l.* is due to year of new valuation, the remainder, viz., 3,400 *l.*, represents the increase in poundage to collectors.

2912. On what rate of income tax is this estimate of 58,500 *l.* for 1888-9, for extra poundage to collectors, based?—Upon what we knew it to be then. Of course, we did not know what was coming in the future.

2913. That is not including this year's reduction, I presume?—Of course not; therefore, of course, we shall save more than we anticipated. I may say that these Estimates, broadly speaking, are framed as, what I may call, safe Estimates. I know of no instance, certainly, in my own time, of Supplementary Estimates being taken for my Department, except such as were caused by legislation beyond our control. Neither do I know of any instance where our expenditure has exceeded our estimates in the total. We have re-adjustments of Votes, of course, but our total has always been within our Estimate.

2914. As I understand, out of the 30,400 *l.* increase on Sub-head E., only about 16,000 *l.* can be put down to the triennial valuation?—I think that about 27,000 *l.* would be due to triennial assessment.

2915. Mr. *Jackson*.] That is outside the Metropolis, is it not?—That is the new assessment for Schedules A. and B., only outside the Metropolis. There is no new assessment for Schedules A. and B. inside the Metropolis.

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2916. Mr.

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[Continued.]

2916. Mr. *Mowbray*.] You say that 20,000 *l.* out of the 30,000 *l.* is due to the new valuation; you have explained 16,000 *l.* of that; will you state how the other 4,000 *l.* is made up, and under what items it is shown here?—The sum due to the new valuation under item two of Sub-head E. would be 20,000 *l.*; under item six, 1,500 *l.*; and under item eight, 5,500 *l.*

2917. Making altogether 22,500 *l.*?—No; the total due to new valuation is 27,000 *l.*, as before shown.

2918. Then as to the rest making up the 30,000 *l.*, the increase seems to be in the extra poundage which you have explained as being due to the diminution of the tax?—Yes, that is due to the diminution of the tax.

2919. Mr. *Richard Chamberlain*.] I thought that the poundage was arranged so that the collector should have approximately the same amount whether the tax was high or low?—Yes, quite so; that is our object.

2920. What you told us was that, owing to the tax being diminished, it would cost us some 9,000 *l.* or 10,000 *l.* more for collection?—The great object is to bring the amount the collectors receive up to what they got in 1864; that was considered a fair remuneration for the collector, and that was the object of the rate increasing as the tax diminishes, and *vice versa*.

2921. I understand the increase in the rate, but not the increase in the total amount; there should not be an increase in the total amount, should there?—In the assessor's poundage there is always an addition.

2922. Speaking of the amount, and not of the rate, why should the amount of the assessors' poundage come to more because there is a reduction in the income tax?—The assessors' poundage is entirely a new charge.

2923. Mr. *Mowbray*.] Do you mean that the statutory poundage and the extra poundage together, ought, taking one year with another, to be the same? About the same.

2924. When the statutory poundage diminishes, you have to make it up in the increase in the extra poundage?—Yes.

2925. Mr. *J. F. X. O'Brien*.] You have an increase of 13,500 *l.* under item five of Sub-head E. for extra poundage; I presume that would be under some other heading last year?—The comparison cannot be exact, because the rate of the tax was different.

2926. Would you kindly explain how the difference arises, and how you can compare the one with the other?—We can only do so by calculating the rate of the tax. I am told that the explanation is that that item was partly underestimated the year before.

2927. Was the under-estimate equal to 13,500 *l.*?—Not quite so much as that.

2928. Can you say what was the under-estimate last year?—I cannot quite say that, but part of the increase in this item is due to the reduction in the income tax to 7 *d.* instead of 8 *d.*; the less the tax the higher the extra poundage.

2929. The less you collect the more you pay for collection?—Yes, the more one head goes up the other goes down. Statutory poundage to collectors, item two of Sub-head E. would show a reduction of 4,000 *l.* this year, were it not for assessor's poundage.

2930. Since you think it is fair that the Post Office officials should be paid for the extra work they do in distributing these stamps, let me ask you what remuneration do the Inland Revenue officers get for the collection of D. and E. taxes?—The officers of the Inland Revenue get no extra remuneration whatever.

2931. Not for the extra work?—It is part of the work which is imposed upon them. I think I explained to the the Committee before that there was a small item only amounting to 1,000 *l.* a year on the whole of those big towns I read out, which is paid as a bonus to officers whom we call associated offices, whose duty is not to collect these taxes, and who merely occupy their evenings in collecting

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collecting them. The collector of Inland Revenue has no extra remuneration beyond his fixed salary for that work.

2932. Mr. *Mowbray*.] Has your re-organisation affected that out-door department?—Very largely.

2933. I do not think you gave us any details as to the effect which the re-organisation had had upon the out-door department, although you gave us some details about the effect upon the in-door department?—Quite so. Perhaps you would like to have the reduction in the officers.

2934. Yes, if you please. You are aware, no doubt, that there is a good deal of discussion on the subject sometimes?—May I gather that what you mean is that there is dissatisfaction.

2935. I have heard so?—Generally speaking, I do not think that there is any dissatisfaction at all with our re-organisation, except in the case of junior officers.

2936. It is to that I was referring?—As a rule, I believe, our re-organisation has given general satisfaction all round, except in the case of junior officers. And I think I shall meet your question best without going into all the details by explaining our position with regard to the junior officers.

2937. That is what I wish?—I think their complaint amounts to this. I need not say that in making economies every man's hand is against us, and in these economies, and in reducing the number of good places, of course we know we effect retardation of promotion. I think that is a grievance that exists in every service in the world. The State, I think, cannot be expected to create places which are not wanted, simply to expedite promotion. Of course, nobody is more sorry for that retardation than I am, because it means a certain amount of discontent among the younger men; but as a consolation they have the prospect of a rise to better paid places. The superior officers are all better paid than they were, and though there is a diminution of the number of places to which they might look, they have an increase of salary to look forward to.

2938. Have they an increased salary in their present position?—No; the young officers who are discontented have not.

2939. And the possible effect of this re-organisation may be, as you say, to retard their promotion?—There is no question that the promotion is slower than it was amongst the junior ranks.

2940. Has there been any filling up of places which they might naturally have expected to occupy owing to the transference of people from other departments in consequence of re-organisation?—Certainly not. Every single place in the Inland Revenue is absolutely open to the young men in it; they have advantages over other departments. Young officers entering as assistants of Excise may rise to any position in the Excise, or may compete for the lower division clerkships. A lower division clerk, after 10 years' service, may compete to be an assistant surveyor of taxes, in fact, many of them have become so. There is no bar whatever that I am aware of, to any man entering the Inland Revenue Service at the lowest position and rising to the highest.

2941. There is one little point that caught my eye on page 29 of the Estimates as regards "Special Commissioners of Income-tax." I see that there are three Special Commissioners of Income-tax at 600 *l.* a year, and the total estimate for this year is 1,900 *l.*; I see there is a note at the foot of the page which says, "one of the Special Commissioners receives, in addition to his salary, a compensation allowance of 100 *l.* per annum as late Poor Law Inspector in Ireland, and one is in receipt of a personal salary of 700 *l.*" Where does that personal salary of 700 *l.* come into the Estimates?—That makes up the 1,900 *l.*

2942. But I take it that the three Special Commissioners at 600 *l.*, plus the compensation allowance of 100 *l.* which one of them receives, makes up the 1,900 *l.*?—The 100 *l.* at the foot of this note for compensation allowance as late Poor Law Inspector in Ireland is not included in our Vote; it is only the personal salary of 700 *l.* that is included in the 1,900 *l.*

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2943. Then

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[Continued.]

2943. Then in the 1,900 *l.* the 700 *l.* a-year is not additional but in substitution for the 600 *l.*?—Yes. I can explain how he got that personal salary. The salary of special commissioners was 600 *l.* a year, but there was a vacancy, and with the view of effecting economy we recommended, and the First Lord of the Treasury was good enough, upon our recommendation, to appoint the chief clerk in that office on the condition that we did not fill up his place; and, therefore, as his salary was 700 *l.* a year, it was not reduced, and he remains at 700 *l.* a year.

2944. That compensation allowance of 100 *l.* per annum would be borne upon the Poor Law Revenue, would it not?—The compensation allowance would be borne upon the Superannuation Vote for Civil Services.

2945. Mr. J. F. X. O'Brien.] You say, as I understand, that the increase of 30,400 *l.* under heading E. will disappear soon?—Yes, there will be no new valuation of A. and B. next year.

2946. Will it disappear next year altogether?—All that part of it that is now paid for the new valuation will disappear for two years and then come in again.

2947. Mr. Henniker Heaton.] I have listened with some interest to the remarks which you have made as to consolidation; you state that you are an advocate for the consolidation of the Customs and Inland Revenue Departments; do you believe that that would lead to greater efficiency?—Certainly.

2948. And economy?—Certainly.

2949. And simplicity?—Certainly.

2950. Have you made or suggested an outline of the proposed reform?—Yes.

2951. Could you state in a very few words what we would save by such a reform?—In money or advantages, do you mean?

2952. In advantages?—Very shortly I will put it in this way; that I consider it an official scandal that there should be 25 places (perhaps I may not be quite accurate now; I have not looked into the figures lately, but it was 25) in the country, in which there is a collector of Inland Revenue in one part of the town and a collector of Customs in another. There are two collectors, for instance, at Dublin, and the salaries are very different. You will, of course, understand that I am not saying anything that looks like an attack upon any other Department; but the mere fact of the existence of two Departments for the collection of the Revenue seems to me an anomaly. You will no doubt remember that a scheme of amalgamation was commenced in 1881. I sat myself upon the Committee as to the amalgamation of the warehouses; we went a considerable way, and we made a very considerable saving. Formerly there were warehouses belonging to each Department absolutely in the same building; the Customs had one warehouse and the Inland Revenue another in the same building competing for business. I say that is a state of things that should not have existed. We had a Committee, as I was saying, of which Mr. Holmes, who was then one of the Lords of the Treasury, was Chairman. It was appointed by Lord Frederick Cavendish. The result was that between 40 and 50 warehouses were transferred to the Inland Revenue Department, and there was an annual saving of between 15,000 *l.* and 20,000 *l.* a year by that alone. That was only the beginning of the thing. There has been a new code of warehousing instruction applicable to both Departments. Of course, however excellent the administration of the two Departments may be, it is impossible that it can be identical, for the moment you establish a new code, in the nature of things you make a variation in practice. I do not say one is better than the other, but there must be a variation. All those difficulties would be got over, and immense legal technicalities would be avoided, and so far as appears to me, there would be no disadvantage whatever in the amalgamation of the two Boards.

2953. You spoke about a Committee; was that a Committee for this very purpose of amalgamation?—It was for the amalgamation of the warehouses only; it was limited to that; that was in 1881.

2954. Have you any other point which you wish to advocate?—I have many points I could refer to, but shortly I will say this: The existence of two Boards, the existence of two solicitors, and the existence of two enormous offices within

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[Continued.]

within a mile and a-half of each other; the whole thing seems to me an anomaly.

2955. Now would you turn to the Revenue Estimates before you. I know the figures are given there, but I wish to have them upon the Notes. I want to know the amount paid by the Inland Revenue Department for Superannuation Allowances, Compensation Allowances, Pensions, and Gratuities last year; everything under the head of Superannuation?—The total is 212,000 l.

2956. Have you made an estimate of the total amount that will be paid this year?—It would be in the Estimates on page 28, Sub-head T.; the amount for the coming year is, 230,780 l.

2957. Now will you tell me the total amount paid in salaries and wages by the Inland Revenue Department, exclusive of allowances and commissions?—Exclusive of poundage, you mean, I suppose?

2958. I presume that is the technical word?—Yes, that is the technical word. The total is 1,095,000 l.

2959. So that the proportion of the pensions and allowances to the total salaries and wages is about a fifth?—About that.

2960. Are you aware that in some of the Colonies they tried the 4 per cent. deductions, and that it was found in a very short time that it was not sufficient?—I can quite understand that it might not be sufficient to provide for the whole. In my proposal, as regards the 5 per cent., it was only that the Civil servants should share the charge with the State, and not provide it altogether.

2961. Could you obtain a return of all those who are now in receipt of pensions or superannuation allowances, to complete the list which we now have, adding the date of retirement in each case?—Certainly, that could be obtained.

2962. Will you do so before the Committee closes. All I want to know is, how long each man has been receiving his pension. We are getting a similar return from the Post Office?—The Accountant General says of course it could be done; but it would be very costly to give each name. You see that there are 1,500 pensions. It is for the Committee to decide whether they would wish a return to be provided at that expense. Some question of that kind was put to us by the Treasury some time ago; and when we told them what the expense would be, they said that we had better not do it. There is no difficulty whatever in supplying it, apart from the expense.

2963. You have a complete list of those receiving pensions from the Inland Revenue Department?—Yes.

2964. That list you have ready and could produce?—Yes.

2965. They are receiving, I understand, about 162,000 l. If you will turn to page 47 of the Estimates, you will see what I am referring to, "Amount that remained payable on the 1st December 1886"; that shows all there is?—Yes, we can give you a return of that kind if the Committee desire it.

2966. Mr. J. F. X. O'Brien.] Will you explain the difference between the 1,500 l. paid under Sub-head N. last year and the 16,000 l. this year; a difference of 14,500 l.?—That is in connection with the copies of poor rates, of which I have already spoken. The copies of poor rates are necessary for us to form the basis of the new assessment or valuation under Schedules A and B.

2967. That occurs how often?—Every three years, except in the metropolis.

2968. Mr. Arthur Acland.] You told us, in reference to the first head which we considered to-day, the general principle upon which you acted in these reductions, namely, that the clerks should be better paid and harder worked, I understand you to say that the hours have been lengthened from six to seven in the Departments; should you say on the whole that that seventh hour brings as good results as the other six hours as a matter of experience?—Yes, I should. What you mean, I suppose is, do I think that the seven hours are too long? If that is your question, I should say no; I do not think it is at all too long; I think it is a very fair day's work.

2969. And you think that the seven hours' system produces one-sixth more work than the former system?—Yes.

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2970. Or

2970. Or, at any rate, if it does not do so it is simply a question of want of supervision, or something of that sort?—Yes; I venture to say that every man in Somerset House does a good day's work according to his ability, and that the increase of the hours has not diminished the goodness of the work.

2671. Then you think that the saving which you hope to effect in the Estimates will be thoroughly justified by result?—Thoroughly, I believe.

2972. I see a note here on page 27 of the Estimates in regard to Agricultural Statistics; does that work fall upon officers in your Department?—Yes, they collect all the Agricultural Returns.

2973. Have they sufficient experience in agricultural matters to do that efficiently?—They have always given satisfaction to the Privy Council Office. Batches of reports are sent to Somerset House to be tabulated and arranged, and then sent on to the Privy Council; the Agricultural Department I think it is now.

2974. You were speaking just now about the number of persons who had been superannuated; could you tell us what the youngest age of any person who has been lately superannuated would be?—I think we have an understanding with the Treasury that nobody under 40 should receive any additional advantage in the way of superannuation; at least, it is my impression that we never give anybody any abolition terms unless he is 40 years of age.

2975. Does that mean that practically you have not got rid of anybody under 40 years of age?—Yes, we have not given superannuation to anyone under 40. I am told that 47 is the age of the youngest.

2976. When you spoke of 40 years' service as entitling a man to superannuation, from what time does that service begin to run. For instance, you spoke of having boy clerks?—Yes, but the time of boy clerks does not count. I may say that we have found most advantageous results from employing boy clerks. We have got rid of the difficulty of copyists, and we find that boy clerks do better work and more work, and far more cheaply. Indeed, I may say, that there are things which have added very much to economy in the Revenue Department. The employment of boy clerks, who give rise to no claim to superannuation, the employment of women, and the employment of type-writers. Those three things have been very great helps to us, and the employment in each case has been most satisfactory.

2977. What I wanted to know was, at what age the 40 years begins to run. Taking the boy clerks, when do they leave?—They leave at 19.

2978. Unless they have the good fortune to get an appointment, I suppose?—Unless they have the good fortune to compete and get a clerkship. There are a certain number of clerkships which are open to them to compete for, and if they get one of those they come on the Establishment *de novo*.

2979. Do they compete for those clerkships just as the outside public may?—There are a certain number of clerkships to be competed for amongst themselves, and I hope they will be extended.

2980. In that case does the 40 years date from the time of their getting the clerkship?—Yes, from the time when he is about 19 years of age.

2981. As regards the employment of women, what occurs in their case with regard to superannuation?—They have no superannuation; they are employed at weekly wages.

2982. In what capacity do they work?—We employ them a good deal in sorting and sending out Post Office orders, and we also employ them as type-writers. I think that is all.

2683. Do they do work which, if it was done by male persons, would not entitle male workers to superannuation?—No; in the old days the person doing that kind of work would have been a clerk.

2984. But at the present time are they doing work for which a man would become entitled to superannuation?—I should say it is rather difficult to compare type-writing work because it is quite a new thing, but certainly the type-writing work which they do would have been done a few years ago by men who would have become entitled to superannuation; they do nearly all our copying.

2985. Supposing that women are generally employed, is there no chance of their coming under any kind of superannuation scheme?—It has never been contemplated

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[Continued.]

contemplated, because they are paid at weekly wages ; there are only a very small number of women employed.

2986. But it may increase, I presume?—No doubt it may.

2987. And if they do the same kind of work you would probably hardly continue to draw a distinction between them and the men as regards superannuation, would you?—That is rather a big question.

2988. I may take it that that has hardly been considered yet?—No ; it has not come to that yet.

2989. You told us that certain large towns had asked you to do the collection by your own officers ; what is the result of that ; do you send one of your own men down?—No, we do not have to send because we have a collector already in all those large towns ; we simply took over the collection.

2990. You superintending if it is required?—If it is required.

2991. Practically that system is not likely to create any particular dissatisfaction in the towns themselves, is it?—On the contrary ; I think I may venture to say that there has not been a single complaint of any sort or kind ; in fact, at a meeting at Birmingham, held to protest against the income tax, they particularly said that they had not a word to say against the Inland Revenue officials at all.

2992. Mr. *Richard Chamberlain*.] I understand you to say that in Birmingham they have not Inland Revenue officers doing the collection?—Yes, that is quite true, but there was a meeting held about the income tax, and it was said that they had no fault to find with anybody connected with the Inland Revenue.

2993. Mr. *Arthur Acland*.] There is the average amount of discontent, I presume, everywhere with collectors?—Of course, but I am bound to say that we have very few complaints from the public.

2994. Turning for a moment to the sum for copies of the poor rate, that is rather a heavy expenditure ; can you explain how it arises?—It is heavy, because we have to pay the actual clerical labour of copying out from the books where the poor rate is entered so much per folio ; those lists of poor rate form the basis of the assessment.

2995. And that occurs every three years?—Yes.

2996. Then there was another matter of economy to which you referred, as to examinations ; you said that it was not necessary to have an examination for Class I., I think ; I quite understand that that may be so, but I do not quite see how that results in economy?—It is in this way : supposing, for instance, there was an examination for Class I., a man would come in to a much higher salary at once than a man coming in the ordinary course in the lower division class.

2997. Would not that involve an alteration of your rules?—What I say is this, that I am certain that the time will never come when we shall not be able to fill up a vacancy occurring high up in our office by a lower division clerk. His place again would be filled by a lower division clerk, and at the bottom would come in a man at a very junior salary.

2998. And do you compare that advantageously with your present practice?—That is our present practice, but there have been cases in other Departments of the State where men have entered by what is called competition under Class I.

2999. And that, I understand, you think is unnecessary, broadly speaking?—Yes ; generally, I feel perfectly certain it is unnecessary ; certainly in my own Department it is.

3000. Then, I think, you also said that a great many offices, if they fell in, need not be filled up. That remark, I suppose, also applied to your own Department?—Yes ; and I think there are a great many such offices.

3001. You were speaking broadly again then, were you?—Yes, broadly.

3002. That will happen, and actually does happen, I understand, in your own office?—Yes ; I can give you many offices where it has occurred. We are constantly on the look out for economy in that direction.

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3003. Then

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[Continued.]

3003. Then you think that economy is sure to arise from that source as time goes on?—I am quite sure.

3004. Now, with reference to the deduction of 5 per cent. from the salaries for pensions, do I understand that in your own case, and in others, that goes on still? No, it was abolished in 1859.

3005. And what was done in the case of those persons who came in under that old system?—They had 5 per cent. added to their salaries.

3006. They came under the new system?—Yes; the State providing the whole of the superannuation.

3007. Then you mentioned the case of a man dying and his widow not being able to get any proportion of that 5 per cent., as I understand, you think it would be desirable to have some kind of returnable arrangement, such as exists at present, as one of the alternatives at the Post Office?—I did not know that it existed there.

3008. So that if a man dies there should be a definite sum returned to his widow?—Yes, that the money he has put by should be given to his widow, or a portion of it, as might be decided upon.

3009. You think that that is much the best arrangement, as I understand?—Much the best.

3010. Do you suppose that in fixing salaries of late years the question of the value of money has really affected the arrangements at all?—I do not think it has.

3011. And yet it is a very important matter if you take it over a number of years, is it not?—I quite agree that it is very important if you take it over 40 years, for instance.

3012. But you do not think, as a rule, that has entered into the minds of those fixing the salaries?—Not a bit; and I am also sorry to find that it has not entered into the minds of those who get the advantage of it.

3013. From the point of view either of income or expenditure, the value of money does enter very largely into the question, does it not?—Yes.

3014. Our national expenditure appears to be far less than it really is in consequence?—Yes.

3015. But still you do not think that consideration has come in at all?—I do not think it has.

3016. You made a great point that in most cases at 60, and in almost every case after 65 years of age, retirement should be insisted upon. That suggestion, I take it, would apply broadly to the Civil Service?—I should like to apply it to the whole Civil Service.

3017. Mr. Preston Bruce.] One question about the poundage of assessors; does the poundage of assessors mean the same as the poundage of collectors?—The rate of the poundage of assessors never rises; the rate is the statutory rate, and so it remains.

3018. But the collectors' poundage is the poundage upon the money paid into the revenue, is it not?—Yes.

3019. Then what is the poundage of the assessor upon?—The assessors' poundage is upon the amount collected; upon the same amount as the collectors. But perhaps what the honourable Member has in his mind is the question whether the assessor has any interest in putting up the assessment on account of the amount he receives as poundage, and if that is in the honourable Member's mind I may say that it cannot operate in that way.

3020. I should not have thought that the assessor had anything to do with the actual amount collected. The assessor is the man who estimates the actual value; is not that so?—I must correct you in one little point; the assessor has nothing whatever to do with the assessment as far as everybody who sends in a return is concerned; he merely has to leave the return at the house, and then it is for the person to send in the return. If he does not choose to make a return, then the duty of the assessor comes in to make one for him.

3021. If he does not make a return, the assessor puts down what he considers to be the value of the property?—Yes.

3022. Then what the collector does is to levy a certain rate upon that value?—The collector has to receive the schedule and to collect exactly what is upon that schedule; he must not vary a hair's breadth to the right or left of that.

3023. Mr.

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[*Continued.*]

3023. Mr. *Mowbray.*] Then has not the assessor an interest in the amount collected?—In the amount, of course he has; but he cannot vary it.

3024. Can he not vary the sum upon which the collector collects the rate?—The assessor has absolutely nothing to do with the assessment of any person who obeys the law and sends in his return.

3025. But he has in the case of a person who does not send in his return?—Yes, then he with the Commissioners does fix the amount. Then, of course, there is an appeal open.

3026. Mr. *Preston Bruce.*] I should have thought that the assessor would have been paid in regard to the amount at which he assessed the property?—No, that is not so, otherwise it would be a great inducement for the assessor to put it higher; he is paid according to the amount actually collected.

3027. Then, I understand, in some cases these assessors are servants of the Inland Revenue, and in other cases they are not?—Speaking broadly, in England, they are not. They are not the servants of the Inland Revenue if they are paid by poundage.

3028. But, as a matter of fact, there are some?—Yes, there are some in Scotland. In Scotland, for instance, we do the whole thing.

3029. I understand that there is a different way of payment, but as a matter of fact, in England, some of them are the servants of the Inland Revenue and some are not; is that so?—No, I may say that in England they are not the servants of the Inland Revenue at all.

3030. Then, speaking broadly, the assessors who are paid by poundage are not your officers?—Quite so.

3031. *Chairman.*] I believe you have a letter which you wish to hand in?—I have here our letter of the 27th December 1887 to the Treasury, sending in our Estimates for the year and their answer to it, which I should wish to hand in if the Committee will allow me. (*The same was handed in.*)

Tuesday, 15th May 1888.

MEMBERS PRESENT :

Mr. Brunner.
Mr. Richard Chamberlain.
Mr. Dixon Hartland.
Mr. John Ellis.
Mr. Hankey.
Mr. Henniker Heaton.

Mr. Heneage.
Mr. Jackson.
Mr. Mowbray.
Mr. J. F. X. O'Brien.
Mr. Raikes.
Mr. Stansfeld.

THE RIGHT HONOURABLE JAMES STANSFELD, IN THE CHAIR.

SIR ALGERNON WEST, K.C.B., re-called ; and further Examined.

3032. Mr. *Richard Chamberlain*.] WITH regard to the assessed taxes, you are aware that licences are now obtained at any post office ; do you see any objection to the assessed taxes being made payable at every branch post office?—The expression “assessed taxes,” as you no doubt know, has died out ; if you refer to what were called “assessed taxes,” and what are now called “licences establishment,” they are now paid for at the post office.

3033. I meant rather more than that?—Do you mean income tax and inhabited house duty?

3034. Take inhabited house duty for example?—The facilities are very great at present ; everybody can go to the post office and get free post office orders, by which they send in those duties. Every possible simplification has been adopted. I think it would be very difficult to make the actual payment of the duties at a small village post office.

3035. The present method of payment is exceedingly inconvenient, is it not. Very many collectors live in little out-of-the-way houses, and you have to go down into a cellar or some place of that kind, at least it used to be so ; I remember doing so as a boy?—Yes, that is highly inconvenient, and that is an inconvenience which we think would be obviated if our collectors were Inland Revenue collectors instead of what we call parochial collectors ; we cannot order the parochial collector to receive the taxes at a particular place or at a particular time, and I often see notices with regard to these parochial collectors, “Will be at home from ten to three,” on one day, and “from three to four” on another day ; that is, I think, certainly inconvenient.

3035*. Do I understand you to say that you see any inconvenience in making these taxes payable at the post office. I do not suggest that the demand note should be sent from the post office, but that the amount should be payable at the post office?—I should think that would be difficult if you consider how many post offices there are ; it would be saddling the postmasters with a great responsibility.

3036. I asked the Postmaster-General upon the subject, and he said that he saw no objection whatever?—I am surprised at that. It is a matter, at any rate, which we must consider. We try, of course, to give all the facilities we can, and we extend it as much as we possibly can.

3037. You told us that your Department employs a certain number of women ; can you tell me how many women are employed?—Eleven. We employ them mainly as type-writers and in the issuing of postal orders.

3038. What is about the average salary or rather wage, I suppose it is, that they receive?—It is a weekly wage ; the highest would be about 30 s., from 14 s. to 30 s. ; the average is about 1 l.

3039. I want to ask with regard to the appointment and promotion of Mr. G. A. Thompson ; would you mind giving me the Establishment Book ; you have

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[Continued.]

have a copy of it with you, have you not?—Yes (*handing the same to the honourable Member*). That is our last book.

3040. Mr. Thompson was appointed first of all as copying clerk in 1859, was he not?—Yes.

3041. And he then passed the Civil Service examination necessary for that?—I think there was no Civil Service examination at that time.

3042. Did it not begin some time before that?—I think not; he entered the service, I think, before any Civil Service examination was required.

3043. Mr. *Jackson*.] The Superannuation Act was passed in 1859, was it not?—Yes.

3044. Mr. *Richard Chamberlain*.] There was an Order in Council before that date requiring an examination, and I think that Mr. Thompson passed a Civil Service examination on entering as a copying clerk, did he not?—All that I have been able to find out from the records was that he was appointed extra clerk in the office of the Registry of Warrants on the 17th of March 1859, and following the system then in vogue on an established vacancy occurring, he was appointed to succeed to such vacancy on the 30th of August 1862, the sanction of the Treasury having been obtained by the letter of the 30th of August of that year.

3045. What was the examination that he did pass for becoming a copying clerk?—I do not think he ever passed an examination.

3046. Surely Mr. J. W. Justican, the one before him, who entered on the 19th of March 1859, passed?—All I can do is to go back to the records. Perhaps Mr. Justican did not enter as an extra clerk.

3047. No; but on coming on to the Establishment, Mr. Justican passed the Civil Service examination?—I was not aware of that. Those few months may have made the difference. What brings it home to myself was that I am in exactly the same position as Mr. Thompson was, because I began my official life as a temporary clerk in Somerset House in 1851, and then I was appointed in exactly the same way by Treasury letter on to the Establishment without any examination of any kind.

3048. That I quite understand, because the examinations were only required after a certain date. My impression is that the date was somewhere before 1855. You observe that though Mr. Thompson entered in 1859 as a copying clerk, he was appointed on the Establishment in 1862, so that that makes it three years later?—Yes; I think you are quite right.

3049. I want to know whether he went through the examination at that time requisite before coming on to the Establishment?—I should think so.

3050. Have you got his establishment papers?—All I have is the extract from the records; he does not hold a Civil Service certificate.

3051. There are certain establishment papers, are there not, with regard to every man on the Establishment?—There were not in those days, I think; of course there are now. In 1862 all that appears is the Treasury letter saying that he was to be appointed upon the Establishment.

3052. Surely the Treasury have no right to override the Order in Council requiring that the appointment should be made on examination. The point is this: Mr. Thompson has recently been promoted over the heads of seven of his seniors, and, as I understand, those seven gentlemen naturally do not like that his promotion may be because he is superior to them; but they having themselves gone through an examination, naturally object to find that some one who has not passed the same examination, notwithstanding the Order in Council which applies to all, should have nevertheless been appointed over their heads without any examination. It causes a feeling of uneasiness not only in that department but in other departments?—I am told that he did pass an examination as extra clerk.

3053. As copying clerk, he passed the examination, as I said; then when he was promoted on the Establishment he did not pass an examination?—No; he was appointed by the Treasury letter of the 30th August 1862.

3054. Have the Treasury power to do that, notwithstanding the Order in Council?

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[*Continued.*]

Council?—I dare not presume to say that the Treasury have not the power to do anything.

3055. I would ask you whether the appointment by letter is not irregular, and the payment of salary unauthorised, as long as he has not complied with the regulations of the Order in Council?—I imagine that it is perfectly authorised and perfectly regular, because it is authorised by the Treasury letter, and I look upon that as the authority, and as showing that it is perfectly right and proper I should refer to the Comptroller and Auditor General; he has passed his salary all this time, and I therefore concluded it is all regular.

3056. I confess I should like some more definite evidence as to that?—I think it is in order, because I am in exactly the same position myself.

3057. No; your case is different, because your date is anterior?—Passing by the question of examination, the cases are the same in this respect, that, having become an extra clerk, whether by examination or not (he did it by examination; I did it without examination), we were then put on to the Establishment by Treasury letter.

3058. What was the date of the Treasury letter?—30th August 1862.

3059. What was the purport of that letter?—Shall I just read to you the memorandum; it is this: “Mr. Thompson was appointed an extra clerk in the office of the Registry of Warrants on the 17th March 1859, and in accordance with the then common practice, he was promoted to a vacancy in the Establishment in 1862 by Treasury letter of the 30th of August.” Then I have here a copy of the letter from the Treasury, which is alluded to in the memorandum; shall I read it?

3060. Will you do so?—“Treasury Chambers, 30th August 1862. The Lords Commissioners of Her Majesty’s Treasury desire me to express to you their concurrence in the opinion contained in your Report of the 31st May last, to the effect that reasonable grounds exist for improving the position of the clerks in the office of the Registrar of Warrants, but they consider that a scale of salaries somewhat less than that proposed by you will fully meet the requirements of the case, and their Lordships are pleased to sanction the following scale for the office in question, viz.,” that I need not read as it does not apply; then it ends by saying this, “Three second-class clerks at 90 *l.* a year, rising by 5 *l.* a year to 140 *l.* a year, the present extra clerk being absorbed in this class. I am to add that the new arrangement may take effect from 1st April last.” That is the Treasury letter.

3061. That would surely be subject to passing the examination that is laid down for that purpose on admitting any one on to the Establishment. Either he was able to pass the examination, in which case it would be regular, or he was not able to pass the examination, in which case he was not fit to come on to the Establishment?—I have read all in this letter that relates to this point.

3062. Mr. Dixon Hartland.] I understand you to say that he was put on to the permanent Establishment in August 1862; if you will turn to the Estimates of the 31st March 1863, you will find him entered there as an extra clerk, at 36 *s.* a week; therefore he could not be absorbed into the Establishment in August 1862?—I suppose the Estimates were prepared beforehand.

3063. Before August in 1862?—I suppose so, but I cannot speak as to the details of the Estimates of 1862, of course.

3064. It seems funny if he was absorbed into the Establishment in August 1863 that we find him brought forward as an extra clerk at 36 *s.* per week in the Estimates in 1863?—No doubt the Estimates were prepared before that was done. Of course the Estimates are prepared in advance.

3065. But they are not prepared in August for the next March surely?—I cannot answer questions as to details of the Estimates of 1863.

3066. I only want to raise this question, that he was not really absorbed into the Establishment in 1862, but you cannot tell us that?—Certainly not; I wash my hands of the thing after giving the Treasury letter of the 30th August 1862, which speaks of his being absorbed into the second-class. It is for the Treasury to answer if there is any irregularity.

3067. Mr.

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[Continued.]

3067. Mr. *Richard Chamberlain*.] In the fall of last year a scheme was prepared for the re-organisation of the office?—For the re-organisation of the Accountant General's office.

3068. May I ask whether in the original scheme the Accountant General nominated Mr. Thompson for the post which he now occupies?—I do not think that he nominated him particularly. We sent a Board minute up to say in this very important re-organisation the thing to be considered was to chose the fittest and ablest man for the promotion; and on that, after consultation with the Accountant General, Mr. Thompson was considered the best, the fittest, and the ablest man.

3069. I find that there were four vacancies for accountants; and as I understand in the accountant's current branch there was no vacancy, and the gentlemen who was head remained so. Then in the Parochial Ledger Branch Mr. Punshon retired, and Mr. Atchinson, his second, was appointed to be the head; then in the General Business Branch, Mr. Prideaux and Mr. Purnell retired, and Mr. Butler, who was second in another office was promoted to take the head; then in the Ledger Branch, Mr. Samson, who was second, was promoted to be the head, there being a vacancy; then in the Receipts and Payments Branch, Mr. Tubb had some other appointment; and Mr. Butler was appointed chief in another office; and then Mr. Thompson was promoted over the head of seven seniors to the head of the Department. That is so, is it not?—I have no doubt you are putting the facts correctly. I have not my book and papers before me.

3070. Then the one who by seniority should have come to the head was, I think, Mr. Messervy?—Mr. Messervy; but of course he was not the senior according to original entry into the service.

3071. He was the next in order, was he not?—Yes.

3072. Then Mr. Thompson, in your judgment, was better than any of those seven seniors, or none of the seven seniors were fit for this office to which Mr. Thompson was promoted?—I want to qualify that. I will not say that they were not fit, but they were not so good men as Mr. Thompson; Mr. Thompson, in our opinion, was the best man there was.

3073. You would concede, I presume, that *cæteris paribus*, it is desirable that promotion should go by seniority?—*Cæteris paribus*, certainly.

3074. It would require rather remarkable talents to justify promotion over seven seniors, would it not?—Yes; and I should say that Mr. Thompson was a man of remarkable official talents.

3075. Then the one who stood next in order was Mr. Messervy, and the precedent that was followed in the other instances with regard to Mr. Atchinson, Mr. Butler, and Mr. Sansom, where the next in order to take the head of the office, was not followed in Mr. Messervy's case?—No. It will be understood, of course, that I have nothing whatever to say against Mr. Messervy, except that Mr. Thompson is, in our opinion, a superior man for the particular post.

3076. The conclusion, however, follows that Mr. Messervy, the precedent not being followed in his case, is an inferior man to Mr. Atchinson, Mr. Butler, or Mr. Sansom, in whose case that precedent was followed?—Hardly so, I think.

3077. I do not know Mr. Messervy myself at all, but I am informed that he passed rather a brilliant examination, and rather distinguished himself than otherwise?—You observe that Mr. Thompson is senior in service to all these men, provided (which you dispute) that his appointment to the office was originally correct. He entered the service in 1859.

3078. As a copying clerk?—Yes.

3079. But he was behind them in the order as they stood in that department on the Establishment?—Yes, quite so; but I am prepared to take the fullest responsibility of Mr. Thompson's appointment. He is a man who had made himself of great note and reputation in the office. I first became acquainted with him in 1877 when he did very remarkable service in which I was concerned. He helped us very conspicuously in abolishing the office in which he was at that time, called the Registry General of Warrants. We were enabled to effect considerable economy and to do away with that office altogether, and

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[Continued.]

Mr. Thompson made himself a reputation at that time, which he has certainly kept up to the present time.

3080. How many clerks would he have under him at this office?—He would have 16 clerks to superintend.

3081. And his head is Mr. Turner, the Accountant General?—Yes.

3082. I asked you whether Mr. Turner originally selected Mr. Thompson for this promotion, and I think you said that you did not know?—It was done in concert with Mr. Turner, but whether he originally recommended this man particularly I cannot say.

3083. In the original scheme, do you mean?—Yes, in the original scheme. It was done absolutely in concert with the Accountant General, the head of the Department, and the Board; but the Board, I am bound to say, should have the full and complete responsibility.

3084. But I suppose that the chief of a Department would take the initiative in promoting the clerks under him?—He would be consulted to a great extent, but we should not at all think it necessary to follow his advice if we did not agree with it.

3085. Of course, the Board is supreme, but the initiative would be with the chief of the Department, would it not?—Generally speaking; but what I mean is that we have over and over again talked over matters with heads of Department and come to other conclusions. I do not know that we have absolutely overridden and gone against the head of the Department's protest, but in many cases where we have taken enormous trouble, as in the case of these re-organisations, we have discussed the thing very fully with the head of the Department, and I think we have always carried him with us.

3086. Of course you will not misunderstand my motive in putting these questions. I am not suggesting the slightest imputation upon yourself, nor have I heard such a suggestion made, but representations have been made to me, and I think it is very desirable that an opportunity should be given of clearing the matter up; you quite understand me?—Quite so; I am not in the least afraid of anything that can be raised against us, either here, which is a formidable place, or anywhere; I rest upon the general opinion of the office. After all, we are judged, not by the one, or two, or three men who have been passed over, but every act we perform is done in the very broadest daylight, before the eyes of an enormous Department, and I know of no instance where general acceptance has not been given to any promotion that has been made at all out of the regular course. I do not expect the actual man who has been passed over always to agree with us, perhaps, but I claim the general acceptance.

3087. I may tell you frankly what my inquiries are pointing to. If the chief of the Department did not take the initiative in recommending him the inference would be that Mr. Thompson, the gentleman in question, had friends who brought his merits more especially under the notice of the Board?—You were good enough to say that you did not make any imputation upon me; I may give you my word of honour that there has not been the slightest question of any influence of any kind or sort. It has been mentioned in a letter which was put before me by yourself, that Mr. Thompson was a relation by marriage of my late, late, late predecessor; I assure you that I did not know that fact till I heard it the other day.

3088. I never heard a suggestion that Sir Algernon West had anything to do with it?—I take the full and entire responsibility of Mr. Thompson's promotion absolutely upon myself, and I promise you that I have not heard of any word of interference or influence from anybody on his behalf.

3089. What gives rise to dissatisfaction is this: firstly (assuming it to be true), that he got on to the Establishment without the examination to which his colleagues had been subjected; and, secondly, that he obtained a most important promotion not on the initiative of the chief of his office?—I understand that he told Mr. Turner himself that he did pass an examination which was a proper examination at that time as an extra clerk.

3090. Yes, that is what I have said; but how is it there was no examination when he was promoted on to the Establishment?—I throw upon the Treasury

3091. Mr.

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[Continued.]

the entire responsibility of promoting Mr. Thompson from an extra clerk on to the Establishment.

3091. Mr. *Jackson*.] In fact, you throw upon the Treasury the responsibility for having acceded to the request which the Board of Inland Revenue made to them with regard to Mr. Thompson?—Certainly, without the slightest doubt. I may point out that this took place in 1862, and I had nothing to do with it, of course.

3092. Mr. *Dixon-Hartland*.] Was Mr. Cockell the Assistant Accountant General in 1887, at the time of this re-organisation?—I think not.

3093. When the scheme as regards the Accountant General Branch was carried out, on the 1st October 1887, and Mr. Thompson was passed over the head of these seven men, was Mr. Cockell Assistant Accountant General; did he not retire then?—He retired at that time.

3094. He was Assistant Accountant General at that time, was he not?—Yes.

3095. Was not Mr. Prideaux the chief clerk?—He was.

3096. He also retired at that time?—Yes.

3097. Mr. Thornley was the principal clerk, and was also retiring at the same time?—Yes.

3098. Did you hear any opinion of their's as to the injustice of the promotion?—No.

3099. Did not they send in a protest?—Not to me; I never heard of it.

3100. To the office?—I never heard of it.

3101. Will you have it looked for. The information given me is that those who had no personal interest to serve sent in a protest of warm indignation against the appointment at that time?—Could you tell me whom they sent it to?

3102. I could not?—I am perfectly unaware of any such thing.

3103. The papers relating to the reorganisation of the Accountant General's Department would show who was responsible for the appointment, would they not?—I was entirely, absolutely, and completely responsible for the appointment. It is rather difficult for me to look for the warm protest of indignation which is stated to have come from these important gentlemen in the department; I am not told at all to whom it is addressed.

3104. Perhaps they could tell you themselves?—I am afraid that I am not in communication with them.

3105. Mr. *John Ellis*.] My questions will relate to Sub-head A. and Sub-head T. of the Estimates, beginning at page 27. I will take Sub-head A. first. You have given at the outset of your examination some general statements, and I want rather to focus the matter. Can you give us the causes and heads which go to make up the sum of 16,407 *l.* decrease?—Do I understand you to ask for all the details of that decrease?

3106. Will you kindly give us three or four of the heads?—That decrease of 16,407 *l.* is mainly consequent on the re-organisations of the indoor and outdoor services; the re-organisation of the indoor Department having been effected on a new principal of the seven hours' scale; and the reduction which we made in the districts and collections and inspectors throughout the Department. And here, if you will allow me, I should like to explain one point in my evidence on the last occasion. I am sorry there was a little confusion with regard to the comparative numbers of persons employed in 1887-88-89, about which Mr. Stansfeld asked me. I think I said that the reduction was 237, and Mr. Stansfeld very naturally pointed out that the numbers in the Estimates showed a reduction of only 195; and put the question why, if, as I have said, the reduction was 237, there were only 195 appearing in the Estimates. I should like to explain that by our re-organisation the actual reduction in numbers was, as stated, 237. There appeared to be only 195 less in the Estimates; I was talking generally upon the re-organisation, but credit was taken in the Estimates of the year before for 33 men less; and since that time in the general establishment there were nine additional officers appointed, six of them being surveyors of taxes, in consequence of the growth of population and business connected with the in-

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[Continued.]

come tax, and the three others being people in very minor positions, messengers, or something of that kind

3107. Can you give the sum out of the 16,407*l.* due to the re-organisation in the In-door Department?—The reduction in the Estimate due to the re-organisation of the principal in-door departments at the Chief Office, on the basis of seven hours' minimum attendance, was 13,776*l.*

3108. How much was due to the reduction of collections, districts, and inspectors; will you tell us what the remainder was?—The reduction due to re-organisation in the Excise Out-door Service generally, with improved scale of pay on reduction of number of collections and districts, was 5,732*l.*

3109. That gives us considerably more than the total decrease of 16,407*l.*?—Yes, there were certain deductions which came off.

3110. Will you give us precisely the composition of the 16,407*l.*?—I have there the exact composition of that decrease. There is first, "Estimate less than 1887-88 in respect of the re-organisation of the In-door Service, 13,776*l.*"; then in respect of the re-organisation of the Out-door Service there is in the same column, 5,752*l.* Then, on the other hand, in the other column headed "Estimate more than 1887-88," there is an increase in respect of new surveyors, &c., of taxes of 1,301*l.* Then, in the same column, in respect of personal clerks to surveyors of taxes (owing, as I tried to explain, to the new year, of assessment under Schedules A. and B.) there is an increase of 2,000*l.* Then, going back to the other side, there is 200*l.* less for the diminished requirements for the pay of copyists. That, I think, works out the sum to be this: Estimate less than 1887-88, 19,708*l.*; Estimate more than 1887-88, 3,301*l.*, which leaves a net decrease of 16,407*l.*

3111. Now, passing to future years, can you give us any idea for, say, three years, what the effect of the changes in the In-door Departments, and the reduction of collections, districts, and inspectors would be, roughly?—I can tell you this much without giving the figures for a moment. This reduction cannot be kept up in a few years, owing to the normal increments; and, therefore, the saving would be less in the following years, when the greater rate of pay is paid in consequence of the normal increments. On the other hand if you want to arrive at the result of the re-organisation, every year that comes will lead to considerable diminution under Sub-head T., which I should like to go into.

3112. I am coming to Sub-head T. in a moment; would you keep the two Sub-heads distinct at present?—I may say broadly that a diminished saving will arise in that future from the normal increments.

3113. Might I say that the result of the re-organisation would be to save 15,000*l.* a year in this Department during the next three years?—I understand that you do not want me to touch upon Sub-head T. now. Then I should say, roughly speaking, that would be so.

3114. With regard to Sub-head A., supposing your change had not taken effect, there would appear in the next three years the sum of 15,000*l.* per annum?—Yes, probably.

3115. Then, turning now to Sub-head T., that shows an increase of 24,750*l.*?—Yes.

3116. In reply to Question 2878 you gave there one or two heads under which that increase had arisen; but you have not completed it by any means; will you now give me in the same way as you have given in the case of Sub-head A. the principal heads under which that increase in Sub-head T. of 24,750*l.* takes place?—I will. In the column headed "Estimate less than 1887-88" there would be only 377*l.*; being the decrease due to the cessation of certain annuities. Then on the other hand there is an increase in the column "Estimate more than 1887-88," 15,689*l.*, from which there is to be deducted 149*l.*

3117. What is that increase due to?—That is owing to the re-organisation consequent on the introduction of the seven hours in the In-door Departments, and to the re-organisation in the Out-door Departments. I will ask you to take the figure at 15,540*l.* I am omitting the explanation of the 149*l.* Then there is an increase of 9,587*l.*, which provides for the retired allowances, chiefly of officers of the indoor departments who have retired, with the addition of certain years in order to facilitate

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[Continued.]

facilitate the introduction of the seven hours' scheme. That makes a gross increase of 25,127 *l.* less 377 *l.*, giving a net increase under the head of super-annuations of 24,750 *l.*

3118. Now, asking the same question with respect to the next three years, as I asked with reference to Sub-head A., can you give us roughly a sum for the next three years in consequence of the changes?—I rather think that I cannot give you a sum; but when I tell you that a large number of those men were over 60 years of age when they retired, I naturally should infer that the saving would be somewhat a rapid one. Since these Estimates were framed, and since the re-organisations took effect, three men with considerable pensions, I am sorry to say, have already died.

3119. To the best of your judgment will there be an increase under that head of 20,000 *l.* next year?—I take that as a rough figure.

3120. Would it be fair to say 15,000 *l.* the next year?—Yes, I think it might. I will just give you the proportion, and you can judge for yourself, which is better than my giving a guess, because it is only a guess. Out of the sum which we have been talking about; that is to say, 24,750 *l.*, 15,540 *l.* is payable to men who have really earned their pensions; that is to say, who have had 40 years' service, and who are over 60 years of age, or who have retired in consequence of ill-health. Men who have reached their pension are supposed to be long-lived men, but I think men who have served 40 years have not long life before them.

3121. I want to get it in a more concrete shape. You said that you thought there will be a decrease under Sub-head A. of 15,000 *l.* a year during the next three years; and now I want you to say, from your large experience in these matters, what you think will be the increase under Sub-head T. for the next three years. You have given the possible increase for next year as 20,000 *l.*, and for the next year 15,000 *l.*; what should you say for the next year?—Since these Estimates have been framed 4,400 *l.* have already fallen in, therefore I think we might fairly take it that 5,000 *l.* a year is the diminution; that is, of course, a guess.

3122. During the first of the three years you make it, roughly, rather less than 20,000 *l.*?—Yes.

3123. And the next year?—Of course it would go on less rapidly.

3124. Can you give me any idea of what it would be?—It must be a mere guess; it depends so entirely upon the death-rate. I can get you an actuarial calculation, but I would rather not raise a figure.

3125. I am afraid that I must press you to give me an idea of what the decrease would be for the second and third years?—Since these Estimates were framed 4,400 *l.* has fallen in; that, I think, has been unusually rapid.

3126. Mr. Richard Chamberlain.] Would it be any assistance to know that the total amount will fall in in about 11 years, unless there is a longer duration of life in the case of pensioners, which is very possible?—On the other hand, men who have served 40 years, I am afraid, are not very long lived.

3127. Mr. John Ellis.] My question is really this: I want to know what the increase is going to be under Sub-head T.; I have got it for the first year, and I ask whether for the second year it will be 15,000 *l.*?—£. 4,400 having already fallen in, I should say that was a safe sum.

3128. Would it be 10,000 *l.* for the third of the three years?—I should think so.

3129. Then taking your answers as mere rough estimates, does it appear that there will be much saving to the State during the next three years from the reorganisations or the changes; if we have got 15,000 *l.* each year on the one hand, and 20,000 *l.*, 15,000 *l.*, and 10,000 *l.* on the other, it comes to pretty much the same thing?—Yes; but of course the saving goes on every year in the future; you have only taken three years. I am looking forward to a longer period through which the one will diminish and the other will remain pretty stationary.

3130. Then I may take the general result of your answers to my questions to be this: that for the next three years there will not be any very material saving but that it will become very rapid after that?—That is so. And may I say one thing

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thing more ; there will be 237 men actually less who are earning no pensions at all ; that has to be thrown into the calculations.

3131. Quite so, you gave us that very fully in your replies to the Chairman's questions on the last occasion ?—Yes.

3132. Mr. Brunner.] I asked for some Papers, a few sittings ago, with reference to the contract for Indian stamp paper, and I have the information now before me in Paper 11 of the Appendix ; may I ask you to glance at that Paper (*handing the same to the Witness*) ?—These are the specifications for a tender for the India Office contract.

3133. Should I be right in asking you questions upon that Paper, or would you rather that I put the questions to somebody else ?—I must ask you to ask me no questions upon the contract, because the matter is entirely in the hands of the Secretary of State for India ; and my lips are entirely sealed with regard to it. The tenders have been received and have been submitted by us to the Secretary of State for India, but have not yet been decided upon.

3134. You may depend upon me to ask no questions that would put any difficulties in your way. May I ask you with regard to some of the details of these Papers ?—I would rather that you would ask somebody else, if you are going to ask any technical questions.

3135. The points which I am going to put will not, I think, cause you any inconvenience ?—If I can answer them, I will do so.

3136. I find amongst these conditions of tender, no date named for the first delivery of any one of the articles mentioned here ; will you tell me whether this is a complete copy of what is supplied to the firms who were asked to tender ?—I believe it is quite complete. It will be seen by reference to paragraph 38 that no delivery could be ordered before December 1888.

3137. When I pointed out to you that there is amongst these conditions of tender no date for the first delivery of stamps, would you still be inclined to say that this is a complete copy ?—I think so ; but I may say that I bore in mind a remark which you made when I was examined before, to the effect that it might press hard upon some contractors who were not in the position of having been manufacturers of these articles before, to produce these articles within a short time.

3138. I would direct your attention to clause 38 in this Schedule. Will you kindly explain the operation of that clause to me ?—I must say at once that I think I cannot explain it in any way. This is absolutely and entirely a question for the India Office. The Secretary of State asks us merely to act as agents to him in doing the mechanical part of the business ; I know nothing about the quantities that are wanted, or when they are wanted.

3139. Can you tell us who would be able to give us any information about this matter ?—I should think the Director General of Stores for the India Office could tell you. All I can say is that there were to be nine competitors, and I think six have competed and sent in tenders, and I have not heard of any difficulty being raised upon the point of the shortness of time which I understand you to be asking about.

3140. I understand that you are acting as agents for the Government of India ; surely as their agents you would be fully instructed upon all these matters. Your Department, I presume, imposes the conditions upon the tenderers ?—Yes ; but only after consultation with the India Office.

3141. Then there must surely be somebody in your Department who takes up these matters personally ?—Yes, I should think our Controller of Stamps and the Director General of Stores at the India Office would be the witnesses to examine as regards any of the details upon this point.

3142. Chairman.] Are they either of them here to-day ?—No.

3143. Mr. Dixon-Hartland.] I presume you know what these tenders are, do you not ?—Yes, certainly.

3144. You have seen them, have you ?—Certainly ; we have forwarded them to the Secretary of State.

3145. Do they bear out at all the evidence which Mr. Purcell gave the other day before this Committee ?—I should imagine that they will, but I do not think

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[Continued.]

think I ought to say anything as to the tenders at present, but I should be able to give that information as soon as a decision as to the tenders has been come to, which may be to-morrow or in the course of a day or two.

3146. I want to ask you this question; are you prepared to indorse the statement made by Mr. Cousins that the late Sir Charles Herries acted in the matter of the stamp contracts of 1879-80 without consulting or being advised by his technical advisers in any shape?—I have not had an opportunity of seeing the evidence of Mr. Cousins.

3147. Mr. *Heneage*.] Have you had any opportunity of seeing any of the evidence given by any of the witnesses before this Committee?—None.

3148. Mr. *Dixon-Hartland*.] Were you not in the room when Mr. Cousins was examined?—No.

3149. You were here part of the time, were you not?—No; not any of the time.

3150. Mr. *Raikes*.] The passage to which, I understand, the honourable Member desires to call your attention is at Question 1428, where I put this question to Mr. Cousins: "So far as you know, Sir Charles Herries acted upon his own judgment in the matter of this contract. (A.) Quite so. (Q.) And he had not recourse to any expert's advice.—(A.) He may have consulted an expert; he did not consult any official officer that I know of. (Q.) As far as I gather from your evidence generally the last person he would have consulted would have been the Controller of Stamps?—(A.) In all probability"—I hope the Committee will not think it impertinent in me in saying this, because I do not want to contradict a very able officer of my own. From what I have gathered, Mr. Cousins apparently, when he was under examination here, became somewhat confused. He is a very able officer, and I hope the Committee will understand that it is a very trying ordeal (I can speak from having had some experience of it myself) to come and give evidence in this way before a Committee of Parliament, and I hope you will make some allowance for Mr. Cousins if he did to a certain extent lose his head. May I be allowed to answer the question which has been put to me, rather fully? I have had, I am sorry to say, 36 years' experience of official life, and in that time I can say that no man I ever came across was such a master of detail as Sir Charles Herries. No man whom I ever came across was ever more conscientious or more laborious than he, and if anybody says that he did not pursue all the courses that he could pursue, and get all the information he could upon what was then a very difficult question, the person who says so must be under some mistake, because I am perfectly certain that in every way he did his very utmost and his very best to fortify himself in concluding the negotiations with regard to these contracts.

3151. Mr. *Dixon-Hartland*.] Did he not also consult the gentlemen under him in the Department?—Clearly he did, constantly.

3152. The family of Sir Charles Herries feel that a great slur has been cast upon him, that he did not take proper advice, and that he was the only person who had the carrying out of the negotiations?—I assure you that my recollection is clear and distinct upon the point.

3153. And you say that he did consult the proper people?—Certainly, he consulted everybody whom he ought to have consulted.

3154. Mr. *Henniker-Heaton*.] You have just been excusing Mr. Cousins in regard to the evidence that he gave, but if you were present when he was called, you might remember that he brought with him a certain statement; are you aware that Mr. Cousins for days previously had been preparing this statement and submitting it in writing to us, so that it was not the mere impulse of the moment; I do not mean to say there was anything in that statement in regard to Sir Charles Herries, but I am referring to other matters; let me ask you how long has Mr. Cousins been in the Department?—About 34 years I should think.

3155. Do you regard him as one of your best officers?—I regard him as a very able officer.

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[*Continued.*]

3156. Has the competition for the Indian stamped paper yet been decided upon?—No, it is in the hands of the Secretary of State.

3157. I presume the officers of the Department know what the tenders are? Yes, in confidence.

3158. There has been no decision as yet, you say?—No decision has reached me yet; I am expecting it every day.

3159. I understand you cannot answer the question which I was about to ask with reference to Mr. Purcell's estimate. In the course of his evidence Mr. Purcell laid great stress upon the Indian contract, as affording evidence that the principle upon which he had worked with regard to the English post-cards, wrappers, and envelopes was a sound principle; I understand that you have already told the Committee that at present we cannot test Mr. Purcell's estimate by these Indian tenders?—Not at this moment; but it can be done very easily when the tenders are decided upon.

3160. Mr. *Raikes.*] Do I rightly gather, from what you have just said about Sir Charles Herries, and the evidence of Mr. Cousins, that you wish to attribute the responsibility for this contract not only to Sir Charles Herries, but to Sir Charles Herries and his advisers?—Certainly; but, of course, I need not say that I look upon the chairman as the man who is really responsible for everything that he takes from his advisers.

3161. Among those advisers do you include his colleagues on the Board?—Certainly; I bear part of the responsibilities, as being on the Board.

3162. Do you suppose that he laid any stress upon Mr. Cousins' opinion in the matter?—I should have thought so.

3163. Mr. *Dixon-Hartland.*] Sir Charles Herries was in bad health at that time, was he not?—I think not; I was trying only yesterday to carry my mind back, and I do not think he was at all in bad health at that time; he became so afterwards; I do not think there was the slightest sign of bad health till some time after that.

3164. *Chairman.*] Have you by you the annual Report of your Board for 1881?—Yes.

3165. Would you read to us from that Report what the Report states upon the contract in question?—This is the Twenty-third Report of the Commissioners of Her Majesty's Inland Revenue on the Inland Revenue for the year ending the 31st March 1880, presented to both Houses of Parliament. The concluding paragraph on page 17 with regard to this contract is in these words: "By assimilating the mode of producing these and other stamps, and by consolidating the manufacture in the hands of one firm, we have been enabled to conclude a contract for 10 years upon very advantageous terms for the supply of the several postal and revenue adhesive stamps, as well as for the postal cards, wrappers, envelopes, &c."

3166. That is the Report for 1881, signed, I presume, by all the Commissioners?—That is the Report for the year ending 31st March 1880, signed by all the Commissioners.

3167. Mr. *Jackson.*] Mr. Chamberlain asked you a question to which we were unable to get any satisfactory answer, as to whether Mr. Thompson, about whom some questions have been asked, had passed an examination before the Civil Service Commissioners; will you just take this letter in your hand and tell me whether that is the original letter of the Board of Inland Revenue addressed to the Treasury (*handing a letter to the Witness*)?—Clearly it is. This is a letter of the 31st of May 1862.

3168. Will you read the last paragraph, which I think relates to this matter?—"We submit, therefore, that the following alterations should be made in the Establishment, and that the present extra clerk, who was nominated by your Lordships and has undergone the usual examination before the Civil Service Commissioners, should be placed upon the permanent Establishment as a clerk of the junior class."

3169. Mr. *Richard Chamberlain.*] That would be his examination as copying clerk?—The letter says, "the usual examination."

3170. Mr.

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[Continued.]

3170. Mr. *Jackson*.] There was, I think, some little difference, was there not, between a clerk who was then termed an extra clerk, and a clerk who is now known as a copyist or a writer?—There was a difference then.

3171. And the service of those who were known as extra clerks has always been allowed for pension?—Yes.

3172. The Treasury, in agreeing to that recommendation of the Board of Inland Revenue, therefore acted upon the recommendation of the Inland Revenue on the information supplied to them, that this extra clerk had passed the requisite Civil Service examination?—Quite so.

Wednesday, 4th July 1888.

MEMBERS PRESENT:

Mr. Preston Bruce.
Mr. Brunner.
Mr. Richard Chamberlain.
Mr. Dixon Hartland.
Mr. John Ellis.
Mr. Hankey.

Mr. Jackson.
Mr. Mowbray.
Mr. J. F. X. O'Brien.
Mr. David Plunket.
Mr. Raikes.

THE RIGHT HONOURABLE JAMES STANSFELD, IN THE CHAIR.

SIR CHARLES LISTER RYAN, K.C.B., called in; and Examined.

3173. Mr. *Richard Chamberlain*.] THE Committee have had mentioned before them the case of a gentleman, named Mr. Thompson, who was appointed originally as a copying clerk, I think, and passed the requisite examination. He was subsequently put upon the establishment without having passed the examination required by the Order in Council, of which I forget the date; then the question arises whether he is at the present time rightly upon the establishment; the evidence before the Committee appears to show that he is not upon the establishment; assuming that to be the case we ask you to inform us why it is you have passed the payment of his salary?—The facts, so far as I have been able to ascertain them, by looking at the records in the Exchequer and Audit Department, are as follows: He was appointed a copying clerk in 1859 with a certificate by the Civil Service Commissioners; he was subsequently, in 1865 I think the date was, appointed to the establishment of the Inland Revenue by Treasury direction. In 1859 the Commissioners of Audit would have looked to see only that there was a certificate of qualification for the officer; having that he would be entitled to superannuation, and he was perfectly rightly appointed at the outset; the only question that would have arisen would have been whether in 1865, when he was appointed to the Inland Revenue Department establishment by the Treasury, he should or should not undergo a further examination. The Committee will understand that this was before the passing of the Exchequer and Audit Act; before there was a Comptroller and Auditor General; there were then Commissioners of Audit. The Commissioners of Audit examined the account mainly as officers of the Treasury. There was no Appropriation Account Report as there is now under the Exchequer and Audit Act. They were satisfied, and I think, speaking for them, they were rightly satisfied, in passing the appointment on to the establishment by Treasury authority at that time. Then the Exchequer and Audit Act was passed in 1867, and it practically came into operation in 1868; at that time this officer was on the establishment. The rule which the Comptroller and Auditor General laid down for himself then, on first establishing a new and important Parliamentary audit, was to take matters as they then stood, without raising questions as to past authority. It would have been almost impossible for him to have started a new system had he gone back upon every preceding Act that was passed; therefore he assumed that everybody who was on the establishment at that time was rightly on the establishment. Consequently, that being so, the Exchequer and Audit Department has passed the salary ever since, considering that he was rightly placed upon the establishment at the time he was so placed. I may add, however, that that is not a course of proceeding which could possibly take place now, and that a qualifying copying examination, that is, an examination such as a writer would pass, which is what this gentleman passed, is not an examination which the Exchequer and
Audit

4 July 1888.]

Sir CHARLES LISTER RYAN, K.C.B.

[Continued.]

Audit Department would be satisfied with now before allowing a person to go upon the establishment. He would now certainly be required to have a fresh certificate from the Civil Service Commissioners, and the salary would be reported to Parliament as not properly payable if he did not have that certificate.

3174. So that it is possible that there are a number of other cases in which the Exchequer and Audit Department now assume that the appointment of a clerk is correct because they have found him upon the establishment; you do not go behind 1867, I understand?—We do not go behind what existed in 1868, which was the time when the Act came into operation.

3175. If you do not go behind 1868, I suppose it is useless to ask you how a direct Order in Council is superseded by an instruction of the Treasury; the Order in Council was, that before a man was placed upon the establishment he should pass a certain examination set by the Civil Service Commissioners?—Yes; but the Order in Council at that date was not the specific Order in Council that exists now. The Order in Council prescribing open competition for all these places was the Order in Council of 1870. The first Order in Council only required a certificate from the Civil Service Commissioners. When once a gentleman had obtained a certificate the first Order in Council did not go into the question of *this* certificate and *that* certificate, in the same sort of way as is now done.

3176. Then, as a matter of fact, is the salary to-day legal or not legal in this case?—I should say that the salary was legal. If I thought otherwise it would be my duty to report it to Parliament.

3177. You have gone on the rule (and I quite see the convenience of it) that you do not go behind 1868, whether it be legal or illegal?—Not unless it had been a glaring case; that has been the general principle. It was almost necessary to take some starting point; to have gone back into all the different cases, and to have found out all the authorities connected with all the appointments, would have been almost too great a work to start with, and would have brought the thing to a dead lock; it was necessary to accept some sort of arrangement. The Treasury were well aware of the fact, and we said, "Let bye-gones be bye-gones up to this date. Henceforth we will look closely and carefully into all fresh appointments."

3178. Having had this case brought before your particular notice, you say that, apart from the rule you have laid down for yourselves, you think the salary is legal?—Yes, I think so.

3179. Apart from the mere rule as to not going behind 1868, having gone behind 1868, and having examined into this case, you are of opinion that the salary is legal?—Yes, I am; because I think the Commissioners of Audit rightly accepted the authority of the Treasury for placing him upon the establishment, with a limited certificate at that time.

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A P P E N D I X.

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PAPERS handed in by Sir S. A. Blackwood, K.C.B., 20 April 1888.

CHANGES in INLAND POSTAL RATES, 1868—1888.

1. Letters	- - -	1868 - - -	1 d. per $\frac{1}{2}$ oz.
		1871 (Oct.) -	1 d. for 1 oz., $1\frac{1}{2}$ d. for 2 oz., 2 d. for 4 oz., and so on at the rate of an additional $\frac{1}{2}$ d. for each 2 oz., to 12 oz. Above 12 oz., 1 d. for each ounce.
		1885 (July) -	Above 12 oz., an additional $\frac{1}{2}$ d. per 2 oz.
2. Post-cards	- - -	1870 (Oct.) -	Post-cards introduced, $\frac{1}{2}$ d. stamp.
		1882 (Oct.) -	Reply-cards introduced, 1 d. stamp.
3. Newspapers	- - -	1868 - - -	Newspapers bore impressed Inland Revenue Stamps according to the number of sheets, and the superficies of the sheet, and were liable to no further charge for postage.
		1870 (Oct.) -	$\frac{1}{2}$ d. each, irrespective of weight.
4. Book-packets	- - -	1868 - - -	1 d. per 4 oz.
		1870 (Oct.) -	$\frac{1}{2}$ d. per 2 oz.
5. Patterns and Samples	- - -	1868 - - -	2 d. per 4 oz. up to 24 oz.
		1870 (March) -	1 d. per 4 oz. up to 12 oz.
		1870 (Oct.) -	$\frac{1}{2}$ d. per 2 oz. up to 12 oz.
		1871 (Oct.) -	Post abolished.
		1887 (Oct.) -	Post re-established $\begin{cases} 1 \text{ d. for 4 oz.} \\ 1\frac{1}{2} \text{ d. between 4 oz. and 6 oz.} \\ 2 \text{ d. between 6 oz. and 8 oz.} \end{cases}$
6. Parcels	- - -	1868 (Aug.) -	Under 1 lb., 3 d. Between 1 lb. and 3 lbs., 6 d. Between 3 lbs. and 5 lbs., 9 d. Between 5 lbs. and 7 lbs., 1 s.
		1886 (May) -	3 d. for the 1st lb. and $1\frac{1}{2}$ d. for each additional pound up to 11 lbs.

RETURN of PARCELS carried in 1887-88.

YEAR.		Number of Parcels.	Postage.			Average Postage per Parcel.	
			Gross Amount.	55 per Cent. on Railway-borne Parcels paid to Railway Companies.	Post Office Share.	Gross.	Post Office Share.
1887-88	Railway-borne and Road-borne.	36,731,786	£. 811,764	£. 401,295	£. 410,469	d. 5.30	d. 2.68

18 April 1888.

Appendix, No. 2.

PAPERS handed in by Sir *Algernon West*, K.C.B., 24 April 1888.

(CONTRACT of 1880.)

Penny POSTAGE STAMPS.

TERMS OF CONTRACT.

CONTRACT to be for seven years, and the running subject to six months' notice on either side.

Designs of surface printed stamps to be submitted.

Specimens of fine surface work to be sent in, printed in the colours proposed to be employed, in sufficient numbers for testing purposes, and gummed at the back. These specimens could be printed from any surface plate conveniently at hand, and should be struck off in the inks intended to be used, so that the Board may judge of the nature of that ink.

The quality of the gum is important. The ink must be quick drying, and of such a character as to be highly solvent in the hydro-carbons; but not in water, so that if an attempt were made to remove the Post Office obliterating stamp, the same fluid that might be used for that object should destroy the colour of the stamp.

The water-marked paper on which the stamps are to be printed will be separately provided by the Board.

The contract is therefore for printing, gumming, packing, and delivering the stamps.

All designs, drawings, dies, and plates to be provided at the expense of the manufacturer, but to become the property of the Revenue.

Stamps to be delivered fit for use in such quantities as the Board's officers may from time to time require.

Manufacturing premises to be within three miles of Somerset House.

Premises and position must be approved by the Board, and be under the control of their officers, who will take the keys at night.

Every half-year the manufacture must cease for a whole day, in order that the stock of stamps in course of manufacture may, for account purposes, be checked by inspecting officers. The stamps and water-marked paper will previously have to be put in order for this purpose.

The designs and specimens of ink above referred to, with tender of net price at so much per thousand stamps, to be sent in before 12 o'clock on Saturday, the 17th of May.

A guarantee will have to be given that the deliveries of the new stamps will commence from the 1st October, and to be continued in such quantities as may from time to time be required. A penalty will be imposed for non-fulfilment of the Contract. The Board do not bind themselves to accept the lowest or any tender.

LETTER from Messrs. *De La Rue* to the Commissioners of Inland Revenue.

(Confidential.)

110, Bunhill Row, London, E.C.,
30 January 1880.

Gentlemen,

SINCE we were entrusted by your honourable Board with the manufacture of the 1 *d.* postage stamps, and in consequence of the accession of stamp work thus arising, we have been led to consider what economies might be effected were the other manufactures we conduct for your Board revised and the Contracts concerned in them consolidated on an equitable basis; and as, now that we have before us the ascertained out-turn of the articles concerned in the year just expired, we find that a very great saving could be effected in the revenue by such means, we feel that it is incumbent upon us to address your Board upon the subject.

The work for your Department extends over five of our factories, and, in the aggregate, occupies about double the space that is afforded in our new building, the Star Works. This building is, as your Board are aware, of an immense size; and we may say, without boasting, that it stands unrivalled in the nature of the accommodation it affords. It was specially constructed for stamp work, each floor being thrown into one large room for the purpose of proper supervision, whilst the building is of such a character that heavy machinery and loads may be placed upon any part, even of the topmost floor. It is exceedingly light and airy, and has a floor area of 28,800 square feet; and as we find from actual measurement that quite twice its accommodation is taken up by your work, it follows that the work occupies the enormous floor area of 57,600 square feet. The machinery and appliances which are engaged upon your work are of the most perfect character that we have been able to devise; and as the delicacy of the work requires all the operations to be conducted with the greatest care and circumspection, a very large plant is involved, the output of each machine being, of necessity, very limited. In view of the great nicety of the work and the many difficulties we have to contend with, we cannot hope to increase the rate of production. But in the event of your Board consenting to grant us an extended Contract, as hereinafter explained, we would undertake to re-organise the whole of the manufactures, so as to effect a great saving to your Department. We have instanced the space and plant involved in the manufactures, in order to bring home to your Board the great expense and labour which any re-organisation on our part must of necessity entail, for it is patent that in such extensive undertakings concentration and re-arrangement cannot be achieved without great effort, particularly when it is borne in mind that, in order to attain the high standard of work which your Board require, we have always had personally to superintend its execution, and have not found it possible to relieve ourselves in any way of the close personal supervision which it has always been the habit of the partners of our house to exercise over the stamp-work.

Provided we are enabled to make such changes as we have in mind, we are prepared to reduce the prices of the Post Cards, Newspaper Wrappers, and Postage Envelopes by one-tenth (1-10th), and to reduce the prices of the Adhesive Stamps to those set forth in Appendix (A). We have found it essential to fix sliding scales of prices for the Adhesive Stamps, seeing that the cost of production increases in a high ratio as the quantity ordered diminishes. These prices are quoted upon the assumption that it would be open to us to produce the whole of the stamps on the same system as the 1 *d.* Postage, and that in each case paper of the same size, quality, substance, &c., &c., as the 1 *d.* Postage paper, would be furnished to us. The number of stamps upon a sheet would, of course, vary with their size; but the sheets would always contain two panes of stamps, each pane being not larger than the panes of 1 *d.* Postage. The prices for the 1 *d.* Inland Revenue Stamp do not include the cost of paper as heretofore, for we have long understood that it is considered by your Board that all water-marked stamp papers should be provided by your Department. The Inland Revenue Stamps would continue to be printed in doubly fugitive inks, and the Foreign Bill, Judicature Fees, and Unappropriated Stamps, would be likewise printed in doubly fugitive inks, and that, too, in such a way that they would no longer be sensitive to abrasion, a most important point.

Upon Appendix (B), we give a statement showing that the stamps supplied last year would, under our new proposed system, have cost 3,701 *l.* 7 *s.* 11½ *d.*, whereas we find that the actual charge made for them was 6,847 *l.* 15 *s.* 3 *d.* A saving is apparent here, therefore, of 3,146 *l.* 7 *s.* 3½ *d.*, whilst the saving which would be effected by our other proposed reductions would amount to 7,451 *l.* upon last year's quantities; so that the annual saving to your Department would reach a total of over 10,500 *l.*

Notwithstanding the large saving which we have shown, we should, so far as our relations with your Department are concerned, have to ask for no departure from the course which has hitherto been pursued, excepting that the stamps, other than the 1 *d.* Postage and 1 *d.* Inland Revenue, should be ordered in such quantities as would last for at least 12 months, so as to avoid our having to go to press with any one duty a second time in the course of any year. This, we apprehend, could easily be arranged, and it would, indeed, be advantageous to your Department, in relation to price, that the stamps should be ordered in quantities as large as possible.

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The changes which we shall have to effect will be of so sweeping a nature, and the expense we should be put to would be so great (entailing as they would, beside a total re-organisation of the whole of the work, the re-construction of all the stamp printing plates) that we could only enter into the matter on one condition, viz., that your Board would accord us reciprocity by granting to us a consolidation and extension of the existing contracts. The 1*d.* Postage Contract is to be for a term of seven years, the Post Card, Newspaper, Wrapper, and Postage Envelope Contracts have, in effect, about three years to run, and the condition upon which we could alone effect the saving which we have indicated is that those contracts should be consolidated and extended by 10 and 14 years respectively, so that we should feel that we had sufficient time to recoup ourselves for the great outlay which we should be put to, and the inevitable loss we should at first sustain.

Apart from the direct saving which would result to the revenue from the adoption of our proposals, there is no doubt that they would lead to collateral economies, the details of which we will not, however, presume to enter into, excepting to point out that, instead of having a great variety of Stamp Papers, three, or at the most four different kinds would be sufficient.

The relations which we have enjoyed with your Board for so many years has led us confidentially, but fully and frankly, to lay before you what we cannot but consider a most important scheme of economy and reform, and we feel sanguine that in view of the spirit in which we have entered into the matter, your Board will give us every credit for having originated the proposals herein contained, and will afford to them that favourable consideration which we believe them to merit.

The Honourable
The Commissioners of Inland Revenue,
Somerset House, W.C.

We have, &c.
(signed) *Thos. De La Rue.*

Messrs. De La Rue to the Secretary, Inland Revenue.

(Confidential.)

110, Bunhill-row, London, E.C.,
5 February 1880.

Sir,

WE hasten to reply to your letter, which reached us by hand yesterday afternoon, wherein you state that your honourable Board have been informed that the charge for the postage envelopes ought to be reduced by 20 per cent. below their present prices.

We have to point out to your Board that the paper of which the envelopes are manufactured is of a high class, and that the detail and expense of the manufacture are very greatly augmented by the fact of the envelopes bearing stamps, and, therefore, being subject to a close system of control. A great many processes have to be gone through with the envelopes, which could be omitted were they unstamped. The waste is very much higher than in any of our trade work, and there is a great deal of carrying to and fro from Somerset House. A number of countings and checks have to be gone through between the processes, and the envelopes have not only to be packed and banded finally in a very special manner, but they have also to be packed and banded between the processes; besides all which we actually have to bear the expense of the waste made in stamping the envelopes, although that process is conducted at Somerset House, and is absolutely beyond our control. This is a marked instance, but only one amongst many which we might mention, of the exceptional character of the work, and the reason why the expense of it must of necessity be greater than if only ordinary envelopes were in question.

The paper is, as we have said, of a high character; but we quite admit that there are certain papers in the market which somewhat resemble the paper we employ for the envelopes, and which are cheaper than that paper, and if your Board cared to adopt such cheaper paper we could, of course, make a reduction in the price of the envelopes. We beg to remind your Board, however, that, in the matter of the envelopes, the Post Office has to cater for the public, and experience teaches how essential it is that the quality of the envelopes should be fully maintained, for it is astonishing how exacting the public are in regard to articles supplied to them by the State.

We cannot hope to simplify the processes through which the envelopes pass, and the only way in which a material cheapening of the envelopes could be effected would be a change in the paper employed in their production. If your Board should, after the matter in discussion between us is brought to a conclusion, consider it desirable to change the paper, we are quite willing to go fully into the matter with the Controller of Stamps and Stores, or any other officer the Board may appoint; but we should ourselves deprecate any such alteration for the reasons we have already assigned, because, although the cheaper papers we have referred to may resemble that which we employ, they are, in fact, very inferior.

Taking our stand on the long and confidential relations which we have enjoyed with your Board, we laboured to frame proposals of a broad and comprehensive character, which, while involving liberal and important concessions to the Board, should at the same time secure to us only such a position as the Board could not, as we conceived, in justice refuse. It was as old servants of your Board, and as conducting for them work of a

strictly

strictly confidential character, that we propounded that scheme in which every requirement of your Board was duly weighed and provided for. We venture to submit to your Board that to approach the subject in detail in the way they are doing narrows it in a sense which is not just to us, or consistent with the breadth and largeness of the scheme of re-organisation which we have had the honour of laying before your Board.

We beg respectfully to remind your Board that, through a long course of years, they have had the best attention and services of ourselves, and of the large establishment under our control, and that had we devoted the time, labour, and attention, as well as the capital which we have had to expend upon their work, to other branches of our business, we should have been recompensed by a trade return of lasting value to our house. We have, however, given our best time and attention to the service of your Board, often to the great detriment of other interests. Whenever anything new has had to be devised, or in times of urgency, we have set everything aside to assist your Board in the matter immediately in hand, and we submit that these considerations should have the greatest weight, no less than the fact that no one but ourselves possesses the experience which is required by your Board in the initiation of new stamp matters, or, indeed, in carrying on all those which are at present in force.

We have above indicated the means by which the full reductions pointed to by the Board might possibly be attained, should it be thought hereafter desirable; but, after a full re-investigation of the figures, we find that a further abatement of 5 per cent. upon the prices of the envelopes, as at present supplied, is the utmost further concession we can make upon our scheme generally. In fact, we wish firmly to but respectfully to inform your honourable Board that we can go no further, and that our scheme must stand or fall upon its general merits; so that the issue which is involved is no other than whether your Board will retain, in connection with the greatest fiscal department of the State, the services of long-tried specialists, whose experience and unique resources are of instant avail in every exigency of the revenue, and whose time and thought are so continuously devoted to the services of your Board, or whether those relations shall be broken off.

Fred. B. Garnett, Esq., Secretary,
Honourable Board of Inland Revenue.

We have, &c.
(signed) *Thos. De La Rue.*



Mem.—Acquaint Messrs. De La Rue that we agree to their proposal, except as to the period for the contract, which we can only enter into for 10 years from this time.

(signed) *C. J. H.*

Appendix, No. 3.

PAPERS handed in by Sir *S. A. Blackwood*, K.C.B., 23 April 1888.

COMPARATIVE STATEMENT of the Total Number of LETTERS &c., Delivered in the UNITED KINGDOM during the Year ended 31st March 1879, and every subsequent Year to 31st March 1889, inclusive; and also of the Number of PARCELS since the commencement of the PARCEL SERVICE

Period ended 31st March.	Letters.	Post Cards.	Book Packets and Circulars.	Newspapers.	TOTALS.	Parcels.
1879 - - -	1,097,400,000	111,500,000	197,100,000	130,900,000	1,536,900,000	—
1880 - - -	1,127,900,000	114,400,000	213,900,000	130,500,000	1,586,700,000	—
1881 - - -	8,165,900,000	122,900,000	240,800,000	133,800,000	1,662,200,000	—
1882 - - -	1,229,300,000	135,400,000	271,000,000	140,900,000	1,776,600,000	—
1883 - - -	1,280,600,000	143,200,000	288,200,000	140,600,000	1,853,300,000	—
1884 - - -	1,322,100,000	153,600,000	204,600,000	142,600,000	1,912,900,000	†13,718,912
1885 - - -	1,360,300,000	160,400,000	330,400,000	143,700,000	1,994,800,000	22,904,373
1886 - - -	1,403,500,000	171,300,000	342,200,000	147,700,000	2,064,700,000	26,417,422
1887 - - -	1,459,900,000	180,100,000	368,900,000	251,200,000	2,160,100,000	‡32,860,154
1888 - - -	*1,503,097,000	*185,503,000	*379,967,000	*165,736,000	*2,224,903,000	36,731,786
1889 - - -	*1,548,807,910	*191,068,090	*391,366,000	*160,408,080	*2,291,650,090	§41,066,136

* Estimated; the estimate being based on the assumption that the rate of increase between the year ended 31st March 1886 and 1887 will be the rate of increase between the year ended 31st March 1887 and 1888, and between the year ending 31st March 1888 and 1889.

† Parcel Post commenced 1st August 1883.

‡ 1st May 1886 revised weights and rates were introduced.

§ Estimate based on the same rate of increase as shown in the previous year.

P O S T O F F I C E .

RETURN of the Amount of ABSENCE through SICKNESS at the principal Offices, Metropolitan and Provincial, during the Year 1886.

OFFICE.	Total Force.	Average Absence per Head. Number of Days.	OFFICE.	Total Force.	Average Absence per Head. Number of Days.
Aberdeen - - - -	189	4.1	London :		
Birmingham - - -	901	6.3	E. C. District - -	1,351	8.6
Bradford (Yorks) - - -	243	5.4	E. " - -	685	7.3
Brighton - - - -	204	5.5	N. " - -	549	7.4
Bath - - - -	160	4.8	N. W. " - -	532	5.6
Bristol - - - -	454	5.6	S. E. " - -	713	8.4
Belfast - - - -	350	6.6	S. W. " - -	901	8.4
Birkenhead - - - -	113	6.7	W. " - -	595	10.9
Bolton - - - -	72	1.5	W. C. " - -	443	5.7
Burton-on Trent - - -	66	3.4	Central Telegraph Office -	2,459	7.5
			Central Savings Bank -	1,278	8.8
Cambridge - - - -	93	1.9	Controller of Telegraph Stores.	85	6.2
Croydon - - - -	93	5.5	Circulation Department -	2,078	7.0
Cardiff - - - -	248	5.6	Engineer in Chief's Office	22	3.1
Carlisle - - - -	102	4.7	Money Order Office -	178	3.7
Cheltenham - - - -	91	*11.9	Norwood - - - -	163	4.8
Chester - - - -	106	5.8	Receiver and Accountant General's Office.	985	10.1
Cork - - - -	191	6.7	Returned Letter Office -	118	*15.9
			Secretary's Office (including Registry).	224	8.5
Darlington - - - -	92	4.2	Paddington - - - -	812	8.0
Derby - - - -	188	3.8	Wandsworth - - - -	219	5.3
Dublin - - - -	993	*12.3	Manchester - - - -	1,469	9.7
Dundee - - - -	190	5.8	Newcastle-on-Tyne - - -	540	6.7
Edinburgh - - - -	914	9.0	Northampton - - - -	64	6.6
Exeter - - - -	164	4.6	Nottingham - - - -	244	4.4
			Norwich - - - -	185	8.4
Glasgow - - - -	1,210	5.1	Oxford - - - -	98	3.7
Greenock - - - -	102	4.1	Preston - - - -	131	3.2
Gloucester - - - -	136	7.3	Portsmouth - - - -	166	7.4
			Plymouth - - - -	179	6.6
Halifax - - - -	81	2.8	Reading - - - -	80	6.2
Huddersfield - - - -	109	3.2	Sheffield - - - -	286	4.4
Hull - - - -	284	5.4	Shrewsbury - - - -	103	3.9
Kingston-on-Thames - - -	71	5.4	Southampton - - - -	165	6.8
Leamington Spa - - -	46	2.7	Swansea - - - -	163	9.8
Leeds - - - -	522	5.9	Stockport - - - -	57	3.0
Leicester - - - -	156	3.3	Wolverhampton - - - -	118	3.4
Liverpool - - - -	1,631	7.5	York - - - -	149	6.9

* In these cases the high rate of increase was due to the lengthened absence of one or more officers.

Appendix, No. 4.

PAPER handed in by Mr. *Cousins*, 27 April 1888.

COPY of AGREEMENT, with SCHEDULES, relating to the Manufacture of Stamps, &c.

AN AGREEMENT made this day of One thousand eight hundred and eighty between Warren De La Rue, Warren William De La Rue, Thomas Andros De La Rue, Ernest De La Rue, and Heinrich Wilhelm Hugo Müller, all of Bunhill Row in the Parish of Saint Luke London Manufacturing Stationers and hereinafter called "The Firm" of the one part and the Commissioners of Inland Revenue (hereinafter called "The Commissioners") acting on behalf of Her Majesty the Queen of the other part.

WHEREAS the Firm have for some time past under separate Contracts dated respectively the twelfth day of March One thousand eight hundred and sixty-seven the twelfth day of July One thousand eight hundred and seventy-five and the first day of June One thousand eight hundred and seventy-eight supplied to the Commissioners certain stamps for denoting the duty of one penny payable in respect of Drafts and Receipts and have also manufactured and supplied certain Post Cards and Postal Wrappers bearing Stamps for denoting the Postal Duties and manufactured and supplied certain Postage Envelopes and have for a long time past by mutual agreement supplied various kinds of Adhesive Stamps. And whereas the said Firm have agreed with the Commissioners for the manufacture and supply under Contract of Halfpenny Penny one Penny halfpenny and Twopenny Postage Stamps. And whereas the Commissioners have approved a scheme of economy and reform it is agreed that all of the said Contracts and Agreements shall be consolidated and form one Contract and that the supply of those Adhesive Stamps which heretofore has not been subject to the conditions of a Contract should be brought within the scope of this Contract. It is hereby contracted and agreed between the said Firm and the Commissioners as follows:—

1. The Firm shall manufacture and supply to the Commissioners certain Adhesive Stamps as well as Post Cards Postal Wrappers and Postage Envelopes as set forth in the Schedules hereunto annexed in the form at the prices and on the terms set out and specified in the said Schedules lettered A. to D. and which Schedules it is hereby agreed shall form an integral part of this Contract. Certain of such prices to be subject to the respective percentage reductions specified in the said Schedules.
2. The Firm shall have the use of any dies or plates which may have been heretofore provided at the expense of the said Commissioners for printing any of the said Adhesive Stamps but save in that particular the Firm shall supply at their own expense all dies and plates necessary for expressing or denoting the various duties upon such Adhesive Stamps Post Cards and Postal Wrappers as at present in use and such dies and plates shall bear the designs such as are now in use or have been approved by the said Commissioners and the said Firm agree that they will at all times furnish and complete for the purpose of printing the Adhesive Stamps Post Cards and Postal Wrappers aforesaid so many additional dies and plates as may from time to time be necessary. The Adhesive Postage Stamp plates shall bear combinations of four letters of the alphabet on each stamp as heretofore.
3. The Firm will at their own expense provide all the machinery and apparatus necessary for printing and perforating all the said Adhesive Stamps and will print off from the said Adhesive Stamp plates or each of them as the Commissioners shall approve or direct in a good and workmanlike manner to the satisfaction of the Commissioners upon watermarked paper to be provided by the said Commissioners similar in size substance and quality to the sample sheet marked X annexed to this Contract any quantities of such said Adhesive Stamps as the said Commissioners shall require subject to any stipulations which may be contained in the Schedules hereto and to the condition that each and every stamp shall bear the appropriate watermark or watermarks complete.
4. The printing to be executed with proper fugitive or doubly fugitive inks as the case may be of the approved particular kind and colour for each description or amount of duty postal or otherwise. All the said inks to be free from lead. The said fugitive inks

ink to be quick drying and of such a character as to be highly soluble in the hydrocarbons but not in water so that if an attempt were made to remove the Post Office obliterating mark the same fluid that might be used for that object should destroy the colour of the stamp.

5. The said doubly fugitive ink to possess the same properties as the fugitive ink and to be also sensitive under such re-agents as would be used for the removal of ordinary writing ink.

6. And the said Firm shall cover the Adhesive Stamps at the back with sufficient gum or glutinous wash as shall in the opinion of the said Commissioners render them properly adhesive to be provided by and at the expense of the said Firm and shall cause the Postal Wrappers to be well and sufficiently gummed with such cement as has hitherto been employed for that purpose so as to ensure perfect safety in transmission by post. The said gum or glutinous wash or cement shall be free from any poisonous or deleterious substances and the said Firm will cause the said Adhesive Stamps to be well and efficiently perforated to the satisfaction of the said Commissioners by means of the machines in use at Somerset House and which the said Firm hereby agree to purchase from the Commissioners at a Valuation to be made by two duly qualified persons of the profession of Civil Engineers (one of such persons to be appointed by the Firm and the other by the Commissioners) or by machines furnished by and at the expense of the said Firm and will deliver the said Adhesive Stamps Post Cards Postal Wrappers and Postage Envelopes in fit and proper condition for use in such quantities and at such times as the said Commissioners shall appoint at the Inland Revenue Office Somerset House or wherever else in the Cities of London or Westminster they shall require.

7. The premises within or upon which the said Adhesive Stamps Post Cards Postal Wrappers and Postage Envelopes shall be manufactured shall be within three miles of Somerset House in the said City of Westminster and the said premises and position thereof shall be always subject to the approval of the Commissioners and under such control of their Officers as the said Commissioners may from time to time direct.

8. The premises at night to be under the sole control of the Firm and if upon taking any account there shall appear to be any deficiency in the quantity of watermarked Adhesive Stamp paper which ought to be in the hands of the said Firm the paper so deficient shall be deemed to be fully stamped with the duty postal or otherwise and the Firm shall be answerable for the duties denoted or assumed to be denoted thereby and the amount thereof shall be paid by the Firm to the said Commissioners or be deducted from any money thereafter to be paid to them by or by direction of the said Commissioners as the said Commissioners may prefer.

9. The Firm shall be responsible for the whole of the Adhesive Stamp watermarked paper whether with or without printed stamps thereon and for the stamped Postage Envelopes while on their premises in the event of fire damage or loss of any kind.

10. On a day appointed by the said Commissioners during each half-year in which this Contract is in force the manufacture of the said Adhesive Stamps and Postage Envelopes shall cease for one whole day for the purpose of enabling the Inspecting Officer or Officers of the Commissioners to check the stock of the said Stamps and Envelopes in the hands of the said Firm and also any such Stamps and Envelopes as may be in course of manufacture. On such occasions all the said Stamps and Postage Envelopes and all of the same as may be in process of manufacture and also all watermarked paper supplied by the said Commissioners shall be put by the Firm in due and convenient order for the said process of checking.

11. And the said Commissioners for and on behalf of Her Majesty Her Heirs and Successors do hereby agree with the said Firm and undertake on the due performance from time to time on the part of the said Firm of the provisions herein contained and upon the said Firm rendering an account monthly of all the said Adhesive Stamps Post Cards Postal Wrappers and Postage Envelopes supplied under this Agreement to pay or cause to be paid to the said Firm for such the sums specified in the Schedules hereinbefore alluded to and which are set out at the end of this Contract (subject to certain percentage reductions also there specified and set out) for such quantities of Adhesive Stamps Post Cards Postal Wrappers and Postage Envelopes made and delivered in the manner and in the condition aforesaid such payments to be made monthly that is to say within ten days from the commencement of each calendar month if possible in each year for all such Adhesive Stamps Post Cards Postal Wrappers and Postage Envelopes delivered previous to the first day of each such said calendar month.

12. It is also agreed that if the spoilage in manufacture of the Halfpenny and Penny Postage Stamps shall in any quarter of a year exceed five per cent. of the quantity printed and of the other Stamps manufactured during the same period ten per cent. the said Firm shall be charged with the cost of all the watermarked paper thus spoiled over the said five per cent. and ten per cent. respectively provided the excess of spoilage does not in any way arise from the fact of the paper supplied not being in size substance and quality according to the sample sheet marked X. attached hereto in which case due allowance shall be made on account of the departure of the paper from the sample.

13. The Commissioners agree to accept half sheets of good printed Adhesive Stamps
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on the condition that each one hundred of such half sheets shall only be reckoned as equivalent to fifty whole sheets.

14. On or before the first of June in each year a statement shall be furnished to the Firm by the Commissioners or their Officers of the probable quantities of Adhesive Stamps except Halfpenny One Penny and Two-and-a-halfpenny Postage One Shilling Telegraph and One Penny Inland Revenue Stamps which will be required during the next ensuing twelve months and of the periods at which it is proposed to order them and the Firm shall deliver them at such intervals as may be convenient to both parties throughout the period a year's supply of any one description and duty of Stamps being so far as possible ordered at one time so as to allow of their being manufactured and delivered without a break. The Halfpenny and One Penny Postage Stamps and the One Penny Inland Revenue Stamps together with the Post Cards Postal Wrappers and Postage Envelopes shall not be subject to this arrangement but shall be ordered as required and manufactured and delivered daily at as nearly an uniform rate as possible throughout the year nor shall it apply to the Two-and-a-halfpenny Postage Stamps and One Shilling Telegraph Stamps which shall however be ordered in quantities of not less than four million eight hundred thousand of each kind at one time.

15. Each two thousand of the sheets of the same duty and denomination of Adhesive Stamps shall be tied together with strong string and wrapped in stout paper the division between each five hundred sheets being marked by a piece of brown paper and in no case shall two distinct rates of duty or denominations of Stamps be packed up together.

16. The deliveries shall be made daily in a covered cart locked a duplicate key of such lock being kept at the Offices of the Inland Revenue at Somerset House.

17. And it is hereby further agreed between the said parties that the dies plates and other matters and things necessary for the purposes aforesaid shall be provided by and at the expense of the said Firm but the dies and plates to become the property of the Commissioners and to be disposed of during the course of and at the termination of the said Contract as the Commissioners may see fit.

18. The Firm also to provide such a reserve of Penny Postage plates as a provision against fire on the Firm's premises to be held in the custody of the Commissioners as the Commissioners may require and as has been customary heretofore in the case of the Penny Postage Adhesive Stamps.

19. The printing of the said Adhesive Stamps and the completing of the same fit for use including perforation shall be done in rooms and with machinery and fittings to be also found and provided by and at the expense of the said Firm such rooms to be approved of by the said Commissioners and such of them as may be used for printing the said Adhesive Stamps and other articles to be used for that purpose exclusively.

20. And all the engravings dies and plates already made and hereafter to be made or at any time in the process of being made for any of the purposes aforesaid shall be deposited in such place or places as the said Commissioners shall direct and in a safe or safes or other inclosure provided by the said Commissioners the keys of which shall be kept by such person or persons as the said Commissioners shall appoint in that behalf and that the making and preparing of all such dies and plates as aforesaid and the printing of the said Adhesive Stamps Post Cards and Postal Wrappers shall be under the superintendence of such person or persons being an officer or officers of the said Commissioners as they the said Commissioners shall appoint and under such regulations and directions for the security of the said dies plates Adhesive Stamps Post Cards and Postal Wrappers as the said Commissioners shall from time to time make or give in that behalf. Provided always that the said Commissioners shall not by any such regulations or directions restrain or prevent the said Firm or their servants or workmen from working in the printing and completion of such Adhesive Stamps Post Cards and Postal Wrappers in the said rooms between the hours of seven in the morning and eight in the evening on any day on which such work may lawfully be performed.

21. And it is further agreed that the said Commissioners and their said officers and any other persons authorised by them in that behalf shall at all times have free access to all and every of the rooms used for any of the purposes of this Agreement and have all proper and necessary control over the rooms in which the printing is conducted and the persons to be employed and engaged in making and preparing the said dies and plates and in printing the said Stamps and other articles.

22. And the said Firm do hereby undertake and agree that they will whenever thereunto required by or on behalf of the said Commissioners utterly deface and destroy at the expense of the said Firm in the presence of such person or persons as the said Commissioners shall have appointed in that behalf all or any of the original and other dies and plates which shall have been provided made or used for the purposes aforesaid the material of such dies and plates after destruction to become the property of the said Firm.

23. So long as the Firm perform their part of the Contract the Commissioners will not employ any other person or persons in the making of any Post Cards Postal Wrappers or Postage Envelopes or such Adhesive Stamps of the classes now in use to which the

Schedules

Schedules of this Contract relate it being clearly understood that the said Schedules and this Contract relate only to such classes of Stamps as are at present adopted or in use or to such others as may from time to time be substituted for them and in the event of its being judged expedient by the Commissioners that the design of the said Adhesive Stamps or other articles should be changed or altered in any manner the Firm shall consent to such change or alteration and upon any such being made the rate of payment to be made to the Firm for the manufacture of the said changed or altered Stamps and other articles shall be liable to re-adjustment.

24. And it is lastly agreed that this Agreement shall take effect from the first day of May One thousand eight hundred and eighty and shall continue in force for the purposes aforesaid for the term of ten years to be computed from the thirty-first day of December One thousand eight hundred and eighty and for so long after as the Commissioners of Inland Revenue for the time being shall require the delivery of any such Stamps or other articles until the same shall after the expiration of the said term of ten years be determined upon six months' notice thereof in writing to be given by either party to these presents.

25. The Commissioners are to be at liberty before or after delivery to reject all sheets not printed to their satisfaction. The printing of such sheets not to be charged for and to be delivered up to the Commissioners to be destroyed.

26. The Firm to provide free of charge six lithographed copies of this Contract.

SCHEDULE A.

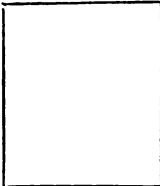
STATEMENT of PRICES for the Manufacture and Supply of Post Cards, Postal Wrappers, and Postage Envelopes.

Quality and form to be as per specimen bundles, signed (or initialed) by the parties to these presents, and deposited with the Controller of Stamps and Stores, Inland Revenue, Somerset House.

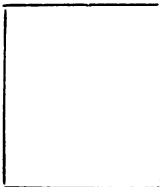
- "Thin" Post Cards 4½ inches × 2¼ inches banded in packets of 12 and tied in bundles of 240 as at present, price per thousand 4s., less 10 per cent. discount.
- "Thin" Post Cards supplied in sheets as at present, at per ream of 480 sheets, 67 s. 2d., less 10 per cent. discount.
- "Stout" Post Cards 4½ inches × 2¼ inches banded in packets of 12 and tied in bundles of 120 as at present, price per thousand, 12s. 6½d., less 10 per cent. discount.
- "Stout" Post Cards supplied in sheets as at present, at per ream of 480 sheets, 12l., less 10 per cent. discount.
- "International" Post Cards 4½ inches × 3½ inches banded in packets of 12 and then into bundles of 120 as at present, price per thousand, 4s. 8½d., less 10 per cent. discount.
- Postal Wrappers 12 inches × 5 inches cemented at one end to a depth of ¾ths of an inch in lifts of 8, banded in packets of 120 and tied in bundles of 480 as at present, at per thousand, 4s. 7¾d, less 10 per cent. discount.
- Postal Wrappers supplied in sheets as at present, at per ream of 480 sheets, 17 s. 5 d. less 10 per cent. discount.
- Postage Envelopes banded in packets of 24 and then into bundles of 240 supplied complete as at present, the Postage Stamps being impressed at the Inland Revenue Department, Somerset House, at the charge of the Commissioners :

				s.	d.			
A size,	price	per	ream	of	480	-	5	1 less 15 per cent. discount.
B	"	"	"			-	2	11 " " "
C	"	"	"			-	3	2½ " " "
D	"	"	"			-	2	11 " " "

STATEMENT of PRICES for the Manufacture and Supply of Adhesive Stamps Perforated complete.



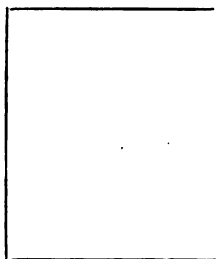
1d. and ½d. Postage Stamps of the size noted in the margin, printed in Fugitive inks in two panes of 120 each—
Price per thousand Stamps, 2½d.



1d. Inland Revenue Stamps of the size noted in the margin, printed in Doubly fugitive inks, in two panes of 120 each—
Price per thousand Stamps, 3½d.

SCHEDULE B.

Stamps of the size noted in the margin, printed in *Doubly fugitive* inks, in two panes of 56 stamps each—

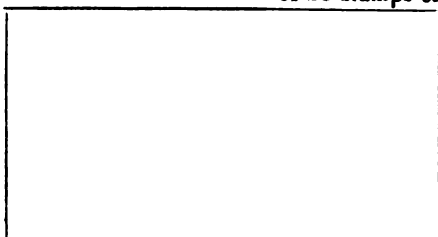


For any quantity ordered at one time not being less than

		<i>s.</i>	<i>d.</i>
44,800,000	- price per thousand	7	½
16,800,000	" "	8	
8,400,000	" "	9	
5,600,000	" "	9	½
560,000	" "	11	½
112,000	" "	1	5½
All quantities less than 112,000	" "	1	11

N.B.—Any quantity less than 56,000 to be charged out as 56,000.

Stamps of the size noted in the margin, printed in *Doubly fugitive* inks, in two panes of 28 stamps each—

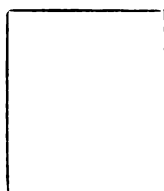


For any quantity ordered at one time not being less than

		<i>s.</i>	<i>d.</i>
22,400,000	- price per thousand	1	2½
8,400,000	" "	1	4
4,200,000	" "	1	6
2,800,000	" "	1	7
280,000	" "	1	10½
56,000	" "	2	11½
All quantities less than 56,000	" "	3	10

N.B.—Any quantity less than 28,000 to be charged out as 28,000.

Stamps of the size noted in the margin printed in *Fugitive* inks in two panes of 120 stamps each—



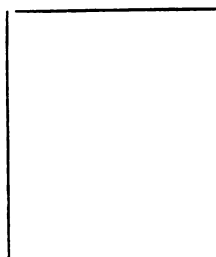
For any quantity of any one kind ordered at one time not being less than

		<i>s.</i>	<i>d.</i>
96,000,000	- price per thousand	2	¾
36,000,000	" "	3	
18,000,000	" "	3	½
12,000,000	" "	3	¾
1,200,000	" "	4	½
240,000	" "	7	½
All quantities less than 240,000	" "	10	

N.B. - Any quantity less than 120,000 to be charged out as 120,000.

If the Commissioners should require the 2½ *d.* Postage or other stamps to be printed in panes of less than 120, those stamps which are consequently left blank in the panes shall be paid for as though they had been printed.

Stamps of the size noted in the margin, printed in *Fugitive* inks, in two panes of 56 stamps each—



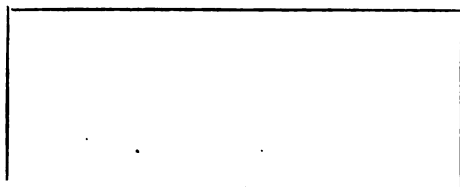
For any quantity of any one kind, ordered at one time, not being less than

		<i>s.</i>	<i>d.</i>
44,800,000	- price per thousand	5	½
16,800,000	" "	6	½
8,400,000	" "	7	½
5,600,000	" "	8	
560,000	" "	9	½
112,000	" "	1	4
All quantities less than 112,000	" "	1	9½

N.B.—Any quantity less than 56,000 to be charged out as 56,000.

SCHEDULE C.

Stamps of the size noted in the margin, printed in Fugitive inks, in two panes of 40 stamps each—

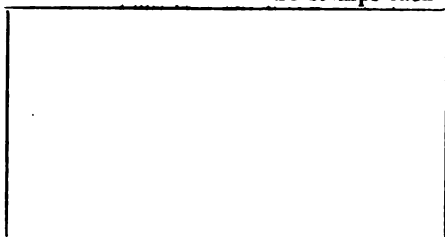


For any quantity ordered at one time not being less than

		<i>s.</i>	<i>d.</i>
32,000,000	- price per thousand	-	7½
12,000,000	" "	-	9
6,000,000	" "	-	10½
4,000,000	" "	-	11½
400,000	" "	1	1½
80,000	" "	1	10½
All quantities less than 80,000	" "	2	6

N.B.—Any quantity less than 40,000 to be charged out as 40,000

Stamps of the size noted in the margin, printed in Fugitive inks, in two panes of 28 stamps each—

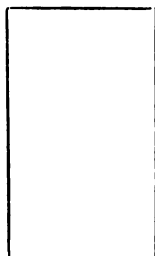


For any quantity ordered at one time not being less than

		<i>s.</i>	<i>d.</i>
22,400,000	- price per thousand	-	10½
8,400,000	" "	1	1
4,200,000	" "	1	3
2,800,000	" "	1	4
280,000	" "	1	7
56,000	" "	2	8
All quantities less than 56,000	" "	3	7

N.B.—Any quantity less than 28,000 to be charged out as 28,000.

Stamps of the size noted in the margin, printed in *Doubly fugitive* inks, in two panes of 84 stamps each—

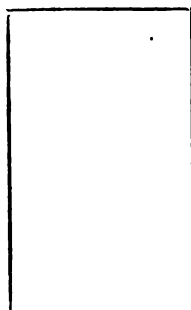


For any quantity of any one kind, ordered at one time, not being less than

		<i>s.</i>	<i>d.</i>
67,200,000	- price per thousand	-	5
25,200,000	" "	-	5½
12,600,000	" "	-	6
8,400,000	" "	-	6½
840,000	" "	-	7½
168,000	" "	1	-
All quantities less than 168,000	" "	1	3½

N.B.—Any quantity less than 84,000 to be charged out as 84,000.

Stamps of the size noted in the margin, printed in *Doubly fugitive* inks, in two panes of 60 stamps each—



For any quantity of any one kind, ordered at one time, not being less than

		<i>s.</i>	<i>d.</i>
48,000,000	- price per thousand	-	7
18,000,000	" "	-	7½
9,000,000	" "	-	8½
6,000,000	" "	-	9
600,000	" "	-	10½
120,000	" "	1	4½
All quantities less than 120,000	" "	1	9½

N.B.—Any quantity less than 60,000 to be charged out as 60,000.

SCHEDULE D.

Key Stamps of the size noted in the margin, printed in *Doubly fugitive* inks, in two panes of 120 stamps each—

For any quantity of any one kind, ordered at one time, not being less than

		s.	d.
96,000,000	- price per thousand	-	3½
36,000,000	" "	-	3½
18,000,000	" "	-	4½
12,000,000	" "	-	4½
1,200,000	" "	-	5½
240,000	" "	-	8½
All quantities less than 240,000	" "	-	10½

N.B.—Any quantity less than 120,000 to be charged out as 120,000.

Key Stamps of the size noted in the margin, printed in *Doubly fugitive* inks, in two panes of 84 stamps each—

For any quantity of any one kind, ordered at one time, not being less than

		s.	d.
67,200,000	- price per thousand	-	5
25,200,000	" "	-	5½
12,600,000	" "	-	6
8,400,000	" "	-	6½
840,000	" "	-	7½
168,000	" "	-	1
All quantities less than 168,000	" "	-	1 3½

N.B.—Any quantity less than 84,000 to be charged out as 84,000.

Key Stamps of the size noted in the margin, printed in *Doubly fugitive* inks, in two panes of 60 stamps each—

For any quantity of any one kind, ordered at one time, not being less than

		s.	d.
48,000,000	- price per thousand	-	7
18,000,000	" "	-	7½
9,000,000	" "	-	8½
6,000,000	" "	-	9
600,000	" "	-	10½
120,000	" "	-	1 4½
All quantities less than 120,000	" "	-	1 9½

N.B.—Any quantity less than 60,000 to be charged out as 60,000.

Overprinting Unappropriated Stamps—

For any quantity of any one kind, ordered at one time, not being less than

		s.	d.
500 panes, price per hundred panes		3	9
250	" "	4	6
All quantities less than 100	" "	7	6

N.B.—All quantities less than 100 panes to be charged out as 100 panes.

Appendix, No. 5.

PAPER handed in by Mr. J. S. Purcell, C.B., 27 April 1888.

PAYMENT for the Manufacture of Adhesive Postage Stamps, Post Cards, Newspaper Wrappers, Envelopes, and Water-marked Paper, during the currency of the Consolidated Contract, dated the 25th March 1880.

	Adhesive Postage. (De La Rue.)	Post Cards, Wrappers, and Envelopes. (De La Rue.)	Water-marked Paper. (Turner & Co.)
	£. s. d.	£. s. d.	£. s. d.
1880-1881 - -	12,874 10 8	77,471 11 3	6,546 4 -
1881-1882 - -	18,204 3 11	79,668 14 3	8,335 - -
1882-1883 - -	21,028 14 1	85,952 - 8	9,952 5 -
1883-1884 - -	21,640 15 3	92,657 15 10	9,625 - -
1884-1885 - -	22,133 12 9	93,175 13 9	9,617 10 -
1885-1886 - -	22,167 3 4	104,079 - 7	9,312 10 -
1886-1887 - -	25,884 8 9	98,631 13 7	10,677 12 9
1887-1888 - -	31,022 1 10	98,129 10 10	11,452 17 -
Estimated. { 1888-1889 - -	29,000 - -	99,000 - -	11,000 - -
1889-1890 - -	29,000 - -	99,000 - -	11,000 - -
1890-1891 - -	29,000 - -	99,000 - -	11,000 - -
TOTALS - - £.	261,955 10 7	1,026,766 - 9	108,518 18 9

Appendix, No. 6.

PAPER handed in by Mr. *Cousins*, 27 April 1888.

Inland Revenue, Somerset House, London, W.C.,

Gentlemen,

3 April 1879.

THE Contract for supply of 1*d.* Postage Stamps with Messrs. Perkins, Bacon & Co. being about to terminate, I am directed by the Board of Inland Revenue to inquire whether you are willing to put in a tender on the occasion. If so, any further particulars which you may require can be obtained on applying to the Controller of Stamps and Stores (Mr. Cousins) at this Office, after which the Board would wish to know, within a week from this date, whether you propose to be one of the competitors.

I am, &c.

(signed) *F. B. Garnett.*

Appendix, No. 7.

PAPER handed in by Mr. Robinson, 24 April 1888.

My Lord and Gentlemen,

8 February 1888.

IN connection with the matter of contracts for stamps relative to which a Departmental Committee has been recently appointed, I take leave to place before the Board the result of certain calculations which I had made previous to the appointment of this Committee.

For a long time past it has been present to my mind that the country has been largely overcharged for certain of the stamped articles now provided. I have, however, hitherto felt that it would be inopportune to raise this question until the termination of the existing contracts was nearer at hand; but now that the Board have, by the appointment of this Committee, shown a determination to take up the matter at once, I feel that, before the Committee meets, it is only due to myself to submit to the Board the following facts, in order to show that I have not been neglectful of one of the most important duties that devolves upon the office which I hold.

My calculations are based (1) upon the general knowledge which I have acquired in the course of the 4½ years during which I have been Controller of Stamps; (2) upon information that I gathered whilst inspecting the principal Continental Stamp Factories; and (3) upon private inquiries which I have, from time to time, instituted.

I propose to exclude from consideration the cost of the manufacture of adhesive stamps, which, in so far, at all events, as England is concerned, I am not prepared to say is unreasonable, having regard to the special and technical character of the work; but, taking the Post Office Manufacturing Vote for 1888-89 and the Indian indent for the same year as the basis of my calculations, I desire, as your Controller of Stamps, to place on record my deliberate opinion, formed after full consideration and careful inquiry, that upon a total charge of 196,000 £. for the supply of post cards, newspaper wrappers, envelopes, watermarked paper, and stamped papers, England and India are now paying to the manufacturers some 60,000 £. a year over and above the figure at which equally good articles could be obtained elsewhere. Of this amount only some 16,000 £. is accounted for by reduction in the value of materials since the contracts were entered into. This assertion of mine, I am free to confess, can only be put to the most complete test by means of competition; but a reference to any manufacturer of note would, I am sure, confirm it. So far as Indian stamped papers are concerned the complete test will soon be applied by the India Office invitations to tender, which are shortly to be issued. Besides this, the India Office authorities have in their possession independent evidence, recently obtained, which goes to prove that my calculation (as given in the Confidential Memorandum I prepared for Mr. Godley) that there was an excessive charge of 9,000 £. upon an outlay of 19,000 £., in the case of half-anna envelopes, was absolutely correct.

I am aware that, on the 31st of December 1880, the date from which the present consolidated 10 years' (or practically 11 years') contract with Messrs. De La Rue commenced to run, the then existing contracts for post cards, wrappers, and envelopes, had some two years to run, that for envelopes, however, being determinable at any time by a year's notice; and I am further aware that, in consideration of the extension of those particular contracts to a period of 10 years under the consolidated contract (which includes adhesive stamps), the contractors made a reduction in prices of 10 per cent. as regards post cards and wrappers, and 15 per cent. as regards envelopes. And here it is to be borne in mind that there is *nothing technical or uncommon* in the production of stamped cards, wrappers, or envelopes.

I am cognisant also of the fact that between 1880 and the present time, although now again the tendency is slightly upwards, the prices of cardboard and paper have gradually fallen from year to year to the extent of some 25 per cent. in the entire period. Allowing, then, for this gradual fall over the whole period (which of course goes to the benefit of the manufacturer), but, at the same time, on the other hand, bearing in mind that the quantity of stamped cards, &c., supplied, and the corresponding total outlay has also gradually increased over the same period from 154,000 £. in 1880, to 196,000 £. in 1888-89 (the year 1887-88 was actually in excess), I desire to state my positive conviction that, had there been in 1880 a competition for post cards, wrappers, and envelopes (English and Indian), or had anything in any degree tantamount to a fair reduction of prices (which 10 per cent. and 15 per cent. respectively certainly was not) been obtained from the contractors, a saving in outlay closely approaching a sum of *half a million pounds sterling* would have been the result upon the 10 or 11 years effected, seeing that, as a matter of fact, India, relying upon the expert knowledge that we were supposed to possess, followed the prices accepted by England. In other words, an excessive outlay, present and prospective, to that extent would have been avoided, two-thirds of the sum falling upon England; and if to this be added the overcharge on Indian stamped papers as from 1880 to September of this year, when that contract expires, the figure will considerably exceed *half a million*.

The

The foregoing figures are, I admit, somewhat startling; but I am certain that my estimate by no means exceeds the actual fact; and it is difficult to understand how, in 1880, the contractors' own prices were accepted, without reference to the prices for raw material and for manufacturing processes at that time ruling, for it does not appear (at all events, I can find no record) that any inquiries were made to test the fairness of Messrs. De La Rue's charges, except in the case of envelopes. Everything seems to have been conceded to the contractors upon their having won the competition for the 1d. adhesive postage stamps the (outlay upon which was then only some 9,500*l.* per annum), the firm, as against the extension of contract to 10 years, giving only the small reduction of some 7,000*l.* a year for a period of three years. The further 3,000*l.*, given by them at the same date by way of reduction of prices, was in respect of adhesive stamps, for which the Board were not under any *time* contract at all. However that may be, as the questions of contracts is now about to be entered upon, I feel that, as Controller of Stamps, it is my duty to lay these figures before the Board, and to place them in possession of my views.

With regard to the Board's minute appointing a Committee to consider all questions relating to stamps, I shall, of course, as in duty bound, be ready to serve on that Committee; but, as my recent experience in connection with the Indian Contract, expiring this year, has led me to form very decided opinions on the best administrative method of dealing with this question of contracts, I think it is my duty to the Board, as their Controller of Stamps, to put them in possession of those opinions, fully recognising that, when I have done this, my responsibility in the matter ceases, and that it lies with the Board to adopt or reject them.

I am uncertain at what stage the proposed Committee is intended to intervene. In my opinion, founded on recent experience, a Committee, however ably manned, would be an unsatisfactory instrument to conduct negotiations relative to a contract. It would be the policy of an astute contractor to detect any little differences of opinion which the members of the Committee might have, and to play one member off against another; and, from an administrative point of view, I am persuaded that the dissipation of the responsibility which now attaches to one officer (so far as regards his own actions and the advice he gives) among a Committee will be a source of weakness. With every deference, I would suggest to the Board whether it has not been a blot in the administration of the past that, in connection with so serious a subject as a contract, involving an enormous outlay, there has not been any one officer whose duty it was to give written advice upon which to base a decision.

As regards the point where the new Committee might usefully intervene, the advice which I now venture to tender to the Board is that they should themselves settle general lines of policy; and that they should communicate those to some one officer to whom should be entrusted the negotiation of the matter up to the limit at which negotiation is of any avail. That officer would be responsible for all his actions, and would report the result, with his advice, to a Committee or to the Board. It would then rest with the Board (with or without the assistance of a Committee) to decide the whole question.

In the recent preliminary negotiation that I have carried on for the India Office, it was a question between the contractors and myself how far their prices should be reduced, for the primary idea, under my advice, was to extend the Stamped Papers Contract for two years and a half, to June 1891, so as to expire with the other Indian Contracts, supposing a fair reduction of price was obtainable.

In the first place the contractors offered a 5 per cent. reduction on about four-fifths of the annual order for stamped papers of various classes, and a 20 per cent. reduction on the greater part of the remainder. The 5 per cent. on the bulk was increased to 15 per cent., when the India Office notified to the firm, through me, that they would resort to competition; but upon the Hundi stamped papers, which can be obtained elsewhere at from 35 to 50 per cent. below Messrs. De La Rue's prices, no reduction whatever was offered from first to last.

Through changes in the form of some of the stamped papers much fluctuation in demand has of recent years occurred; but I am now in a position to state, with reasonable safety, that the present average yearly demands would cost about 34,000*l.* at the old rates, and I confidently anticipate, as the result of the competition, that these quantities will be obtained for about 19,300*l.*, a reduction of about 14,500*l.* yearly, of which 3,000*l.* only will be accounted for by an alteration in the character of material, and 11,500*l.* by reduction of contractor's profits.

I am firmly persuaded that the negotiations in this matter could not have been effected so satisfactorily had not the India Office authorities made up their minds not to see the contractors, and left the whole conduct of the preliminaries in the hands of one person exclusively. The second reduction would not have been so readily offered had the official negotiator been merely a member of a Committee, in which case the contractor might have been able to override pressure by appealing to others.

Having now put my opinions on record, the matter rests with the Board, and my services will be at their disposal in whatever form they may desire.

The Honourable the Commissioners
of Inland Revenue.

I have, &c.
(signed) *J. S. Purcell*,
Controller of Stamps.

Appendix, No. 8.

PAPERS handed in by Mr. *Warren William De La Rue*.

(Confidential.)

LETTER from Messrs. *De La Rue & Co.* to the Secretary, Board of Inland Revenue.110, Bunhill-row, London, E.C.,
5 February 1880.

Sir,

WE hasten to reply to your letter, which reached us by hand yesterday afternoon, wherein you state that your honourable Board have been informed that the charge for the postage envelopes ought to be reduced by 20 per cent. below their present prices.

We have to point out to your Board that the paper of which the envelopes are manufactured is of a high class, and that the detail and expense of the manufacture are very greatly augmented by the fact of the envelopes bearing stamps, and, therefore, being subject to a close system of control. A great many processes have to be gone through with the envelopes which could be omitted were they unstamped. The waste is very much higher than in any of our trade work, and there is a great deal of carrying to and fro from Somerset House. A number of countings and checks have to be gone through between the processes, and the envelopes have not only to be packed and banded finally in a very special manner, but they have also to be packed and banded between the processes; besides all which, we actually have to bear the expense of the waste made in stamping the envelopes, although that process is conducted at Somerset House, and is absolutely beyond our control. This is a marked instance, but only one amongst many which we might mention, of the exceptional character of the work, and the reason why the expense of it must of necessity be greater than if only ordinary envelopes were in question.

The paper is, as we have said, of a high character; but we quite admit that there are certain papers in the market which somewhat resemble the paper we employ for the envelopes, and which are cheaper than that paper, and if your Board cared to adopt such cheaper paper we could, of course, make a reduction in the price of the envelopes. We beg to remind your Board, however, that, in the matter of the envelopes, the Post Office has to cater for the public, and experience teaches how essential it is that the quality of the envelopes should be fully maintained, for it is astonishing how exacting the public are in regard to articles supplied to them by the State.

We cannot hope to simplify the processes through which the envelopes pass, and the only way in which a material cheapening of the envelopes could be effected would be a change in the paper employed in their production. If your Board should, after the matter in discussion between us is brought to a conclusion, consider it desirable to change the paper, we are quite willing to go fully into the matter with the Controller of Stamps and Stores, or any other officer the Board may appoint; but we should ourselves deprecate any such alteration for the reasons we have already assigned, because, although the cheaper papers we have referred to may resemble that which we employ, they are, in fact, very inferior.

Taking our stand on the long and confidential relations which we have enjoyed with your Board, we laboured to frame proposals of a broad and comprehensive character, which, while involving liberal and important concessions to the Board, should at the same time secure to us only such a position as the Board could not, as we conceived, in justice refuse. It was as old servants of your Board, and as conducting for them work of a strictly confidential character, that we propounded that scheme in which every requirement of your Board was duly weighed and provided for. We venture to submit to your Board that to approach the subject in detail in the way they are doing narrows it in a sense which is not just to us or consistent with the breadth and largeness of the scheme of re-organization which we have had the honour of laying before your Board.

We beg respectfully to remind your Board that through a long course of years they have had the best attention and services of ourselves and of the large establishment under our control, and that had we devoted the time, labour, and attention, as well as the capital which we have had to expend upon their work, to other branches of our business, we should have been recompensed by a trade return of lasting value to our house. We have, however, given our best time and attention to the service of your Board, often to the great detriment of other interests. Whenever anything new has had to be devised, or in times of urgency, we have set everything aside to assist your Board in the matter immediately in hand, and we submit that these considerations should have the greatest weight, no less than the fact that no one but ourselves possesses the experience which is required by your Board in the initiation of new stamp matters, or, indeed, in carrying on all those which are at present in force.

We have above indicated the means by which the full reductions pointed to by the Board might possibly be attained, should it be thought hereafter desirable; but, after a full

full re-investigation of the figures, we find that a further abatement of five per cent. upon the prices of the envelopes, as at present supplied, is the utmost further concession we can make upon our scheme generally. In fact, we wish firmly but respectfully to inform your honourable Board that we can go no further, and that our scheme must stand or fall upon its general merits; so that the issue which is involved is no other than whether your Board will retain, in connection with the greatest fiscal department of the State, the services of long-tried specialists, whose experience and unique resources are of instant avail in every exigency of the revenue, and whose time and thought are so continuously devoted to the services of your Board, or whether those relations shall be broken off.

Fred. B. Garnett, Esq.,
Secretary,
Honourable Board of Inland Revenue.

We have, &c.
(signed) *Thomas De La Rue & Co.*

LETTER from Mr. *W. H. Cousins* to Messrs. *De La Rue & Co.*

(C. 8098—1887.)

Inland Revenue, Somerset House, London, W.C.,
12 December 1887.

Gentlemen,

THE Board have received, through the medium of the General Post Office, an application from the Director General of Posts and Telegraphs in Paris, for information as to the ingredients used in making the gum which is affixed to postage stamps in this country, and to be supplied with any other particulars as to the best method of securing adhesiveness, whether in the case of postage stamps or official envelopes.

The postal authorities having requested the Board to enable them to reply to these questions, I am directed to inquire whether you can find it consistent with your interests to furnish the Board with information on the points raised by the Director General of Posts and Telegraphs in Paris.

Messrs. De La Rue & Co.

I am, &c.
(signed) *W. H. Cousins*, Secretary.

LETTER from Messrs. *De La Rue & Co.* to Mr. *W. H. Cousins*.

London, 110, Bunhill-row, E.C.,
13 December 1887.

Sir,

WITH reference to your letter of yesterday (C. 8098—1887), a great deal depends upon the elaborate apparatus, as well as upon the ingredients, used in preparing the cement we apply to adhesive stamps and envelopes. Under a proper arrangement with the French authorities we might be prepared to supply them with the necessary apparatus, and to communicate to them the system of preparing the gum; but your Board will, we feel sure, quite understand that we cannot furnish the information gratuitously.

W. H. Cousins, Esq., Secretary,
Inland Revenue, Somerset House, W.C.

We are, &c.
(signed) *Thos. De La Rue & Co.*

Appendix, No. 9.

PAPER handed in by Mr. Robinson.

BOARD'S MINUTE, 27th JUNE 1879.

(91,331.)

READ letter from General Post Office, dated 25th June 1879, relative to the proposed new 1d. postage stamp, communicating the opinion of the Postmaster-General as to the Tender of the Firm No. 3257, being the only one which fulfils all the conditions of the proposed contract, and thus seems to secure the Post Office revenue against the danger of fraud. Also that his Lordship gives the preference to the design marked D on the Card No. 4, and as to colour, enclosing a specimen of a lighter tint of red proposed to be adopted in order to assimilate with the colours of foreign stamps of the same denomination, as recommended by the International Bureau.

The Board agree in the opinion that the Tender of the Firm No. 3257, viz., Messrs. T. De La Rue & Co., is that which, while fulfilling all the conditions of the proposed contract affords the best security to the revenue. They also concur with the Postmaster-General in the preference for Design D on Card No. 4.

(Letter sent 27th June.)

Ordered, that the Tender of Messrs. T. De La Rue & Co. be accepted, and that they be authorized to proceed with the execution of the plates without waiting for the completion of the contract, so that specimens may be submitted in conformity with the desire of the General Post Office.

(Letter sent 27th June.)

Acquaint the other competitors, Messrs. Perkins, Bacon & Co., Messrs. Bradbury, Wilkinson & Co., Messrs. McCorquodale & Co., Messrs. Skipper and East, Messrs. Waterlow and Sons, Limited, with the determination which has been arrived at, to accept the tender of Messrs. De La Rue & Co.

(Letter sent 9th July.)

Inform the General Post Office of the conclusion which has been adopted by the Board.

Refer the papers to the Solicitor in order that the draft of the necessary contract may be forthwith prepared and submitted for the Board's consideration.

Notify to the Controller of Stamps and Stores, who will take such steps as may be necessary in reference to the arrangements for the supply of paper, and to the Controller of the Stamping Department, who will furnish any suggestions he may have to offer in regard to the contract to be now prepared.

Copies to be sent to Mr. Cousins and Mr. Robertson.



Refer papers to Solicitor.

12 July 1879.

F. B. G.

Appendix, No. 10.

PAPER handed in by Mr. *Warren William De La Rue*.LETTER from Messrs. *De La Rue & Co.* to the Chairman of the Board of Inland Revenue.110, Bunhill-row, London, E.C.,
11 November 1886.

Sir,

IT has become necessary for us to approach your Board upon certain subjects in connection with the work which we conduct for your Department, and also concerning that which we undertake for the Secretary of State for India in Council, and in view of the importance of the matter we trust you will be so good as to excuse our venturing to address you personally thereon.

2. It will be within your recollection that when we entered into the stamp contract dated 25th March 1880, the postage stamps, with the exception of the $\frac{1}{2}$ d., $1\frac{1}{2}$ d., and 2 d., which were then contracted for, had been in use for some time, and there was certainly at that time no reason to suppose that the stamps then existing, and the new $\frac{1}{2}$ d., $1\frac{1}{2}$ d., and 2 d. stamps which were to take the place of the old copper-plate printed stamps, would not enjoy a long life. Nevertheless, owing partly to the Parcels Post, and to other causes, it was found by the Post Office authorities that even those stamps which had answered their purpose perfectly well for a number of years no longer did so, whilst the new $\frac{1}{2}$ d., $1\frac{1}{2}$ d., and 2 d. stamps were also taken exception to. The only ground of complaint against the stamps was that there was not sufficient contrast between duties, for in other respects it was admitted that they were quite satisfactory. The subject formed a matter of discussion for some time, and eventually it was decided to make the attempt of marking duty by varying the internal configuration of the stamps (*e.g.*, circle for $2\frac{1}{2}$ d., and hexagon for 3 d.), but at the same time to limit those internal shapes to five varieties, and to make each one applicable to two distinct values of stamps, so that as 10 values had to be dealt with, the 1 d. and 4 d., $1\frac{1}{2}$ d. and 5 d., 2 d. and 6 d., $2\frac{1}{2}$ d. and 9 d., and the 3 d. and 1 s. were alike in design. Whilst the matter was under consideration, but before the scheme was finally settled upon, the Chancellor of the Exchequer decided to unify all stamps up to and including the 1 s., so that it became necessary that they should be printed in doubly fugitive inks, and the doubly fugitive purple was adopted for the lower, and the green for the higher group.

3. The stamps were issued in April 1884, but they no sooner got into use than complaints of their similarity were received from all quarters, and it was evident that some radical change would have to be made, for the stamps were much more likely to be confused with one another than those which had given place to them. The old stamps had stood the test of time, and had not the conditions been changed, they would, no doubt, have continued to give satisfaction; but, independently of the changes relating to the postal service, there was another and greater element of disturbance. With the unification of the stamps a necessity arose for their being printed in doubly fugitive inks; and, although the old stamps would, in our opinion, have looked more distinct one from the other, if printed in the two doubly fugitive inks, than the series of April 1884, still there can be no doubt that they would not have met the requirements of the case, and so, independently of other circumstances, a change in the stamps would in any case have been necessary, consequent upon the extension of the unification to values up to 1 s. The requirements of the revenue were, therefore, that the stamps should be doubly fugitive, whilst those of the Post Office were that they should be markedly unlike to one another, so that, even when heavily obliterated, they could not be mistaken one for another. Thus a problem was set which promised of no easy solution, and we think it would have been next to impossible to have arrived at any satisfactory settlement of the matter had not a Committee been appointed formed of the officers of the two Departments.

4. The Stamp Committee, as you are aware, was in session five months, and during the whole of that time we were most actively engaged in preparing designs, and in conducting tentative experiments in relation to those designs. Some idea will be conveyed of the extent of our labours in that connection when we say that no less than 350 designs were from first to last submitted by us to the Committee, and that an equivalent amount of work had to be done in connection with those designs, and inquiries that were put to us. However exhausting those preliminary labours might have been, so soon as the new stamp scheme was finally settled, we found that we were only on the threshold of a most difficult undertaking. A series of designs which had cost us infinite trouble to arrive at (for they involved entirely new principles in stamp manufacture) was before us; but the more we considered and discussed the tentative experiments we had been conducting, and the best methods by which practical effect could be given to those designs, the more difficult did our task appear. We do not wish to trouble you unduly with technical details, so we will enumerate the chief difficulties we had to encounter, in as few words as possible, in the order in which they presented themselves.

TECHNICAL DIFFICULTIES.

5. *Dies*.—(a.) The designs were of so exceptional a character that they could not be engraved on the steel dies in the usual manner, and a new method had to be devised.

(b.) The treatment of the head in colour on a white field for three of the duties was an entirely new feature, and presented the greatest difficulties.

(c.) The introduction of the second colour in some of the duties necessitated the production of two hardened steel dies in perfect register (fit) one with the other.

Plates.—(d.) Where two colours had to be printed it was essential that the multiples of the head or feature plate should be in perfect register with the multiples of the overprint plate.

(e.) In the case of the 4 *d.* and 9 *d.* stamps this difficulty was combined with that of extending the overprint through the margins of the stamps.

Printing.—(f.) There was a necessity for modifying the doubly fugitive inks in such a manner that we should be able to print the solid backgrounds of the heads satisfactorily, and for rendering it possible to use them on the machine on which the two-coloured stamps are printed, whilst increasing their intensity, so that they would show properly upon the coloured papers.

(g.) In the case of the bi-coloured stamps, provision had to be made for printing two distinct impressions in most sensitive inks on large sheets of gummed and highly-glazed paper.

6. Such is a bare statement of the difficulties which it has taken us two most anxious years to overcome. New processes, entailing elaborate and expensive experiments, had to be invented for every stage of the work, and it was only after repeated failures that we succeeded step by step in advancing matters. We will take by way of illustration a few typical cases of our difficulties, those most easy to explain.

ILLUSTRATIONS OF TECHNICAL DIFFICULTIES.

7. *Dies*.—(a.) If you will be good enough to examine the contour of the Queen's face in the new 2 *d.* stamp, you will find it defined by an extremely thin line, instead of by the discontinuance of the background as is usually the case. This line has to be left in the dies as thin as a knife-edge, as otherwise it would print too thickly. It was, as a consequence, impossible to produce the dies in the usual manner, and it was only after a great number of experiments had been made, running into many months, and absorbing the attention of the most experienced and skilled members of our staff, that a method of overcoming the difficulty was devised. We will not dwell on our further difficulties with the dies, but we will now take a typical case in regard to the plates.

Plates.—(b.) For our example we will refer to the 1½ *d.* stamp, for the eye can appreciate the closeness of the register which is required better in that stamp perhaps than in the other bi-colour stamps, although our remarks are equally applicable to the 2 *d.* and 5 *d.* duties. It will be noticed that a deviation either to the right or to the left, or upwards or downwards, of the overprint would effectually mar the appearance of the stamp in question, besides which it would evince an apparent want of care in production which might raise a doubt as to the genuineness of the stamps, seeing that perfect precision is expected in their workmanship. The plates are 240 set (the number of the stamps on a sheet), and the multiples of the two plates had to be made perfectly coincident. To attain that result we had to make new and very expensive apparatuses, and to proceed in quite another method than we were accustomed to in the plate-making. The new method is the outcome of an immense number of experiments, and, indeed, was only hit upon by us just in sufficient time for us to supply the bi-colour stamps for issue at the commencement of next year. Needless to say, these remarks apply with even greater force to the 4 *d.* and 9 *d.* duties, seeing that in them the overprint extends to the perforations.

Printing.—(c.) The most perfect printing plates will not ensure good work unless they be used with sufficient skill under proper conditions, and the registration of the bi-colour stamps has been a source of enormous difficulty. We made numerous experiments and devised all sorts of machinery and appliances to achieve our object, but although we nearly succeeded in many instances the results fell short of that perfection at which we aimed. We were led, indeed, almost to despair of success, but we at last succeeded in getting a machine constructed which would do the work satisfactorily; but that machine is most elaborate and consequently difficult to work with, besides which it has the disadvantages of having been very costly.

8. These three illustrations of the difficulties we have enumerated under the heading of "Technical Difficulties" will suffice to show the formidable character of them, but did space allow we should like to dwell at much greater length on these points. No words of ours, however, could convey the immense labour and anxiety we have had to encounter in working the stamp scheme out. Never in the whole of our business experience have we had thrown upon us so harassing an undertaking, and we may fairly say that it has been

been an incessant subject of thought with us; whilst, owing to the pressure as to time, everything, however important, has had to give place to it, and the best and highest skill in our establishment has been almost exclusively devoted to the work. Our labours are even now by no means at an end, for the greatest difficulty will be experienced whenever the stamps have to be printed, seeing that we are working on the limits of the possible, so that the slightest adverse influence, even a change of temperature or a want of proper daylight, completely thwarts our efforts to produce good work.

9. Turning to results, we beg to refer you to the Appendix A. hereto, on which are given, together with the existing stamps for the sake of comparison, specimens of the new series; and to Appendix B., where will be found similar specimens under the usual form of Post Office obliteration; whilst on Appendix C. are given specimens showing how sensitive the new stamps are to those detergents which would remove either a written or a printed cancellation. The first desideratum was great distinctness between values, and we submit that it is difficult to conceive how 11 little pieces of paper, all of the same size and shape, and all bearing impressions of the Queen's head and the same wording, could be rendered more unlike to one another than these stamps are, even if there were no restrictions at all as to colours. We have compared the stamps with those of all other countries, and duties are infinitely more marked than in any other series, although the whole range of colours is employed in foreign stamps, seeing that they are not sensitive. That such an effect of contrast should have been obtained when only two doubly fugitive colours were available is, we think, remarkable. That the stamps will be found to answer their purpose satisfactorily in every way there can, we think, be no question, as the only objection to the old series was want of contrast, and we trust, too, although it is perhaps a secondary consideration, that they may be admired.

10. It would be impossible for anyone, regarding the new stamps, to form any conception of the great effort called forth in their production, and it is for that reason that we have found it necessary to write thus fully upon the subject, for we feel that the time has arrived for us to bring the facts of the case before your Board. As we have already stated, for the last two years all our best powers have been devoted to the new stamp scheme, and everything, however important, has had to give way to it. It must be understood that the work expended in producing the dies, plates, and machinery actually used bears but a slight proportion to that expended in making the experiments leading up to those final results, and that both in regard to those experiments, and in regard to the new apparatuses and machinery which we have established, a very heavy outlay, indeed, has been incurred by us. Besides which the power of production in other departments of our business has been greatly hampered, owing to the manner in which we have had to set everything aside for the stamp scheme, so that indirectly, as well as directly, it has been a great pecuniary tax upon us. When these facts are taken into consideration, and having regard to the severe strain that has been placed upon us personally, we feel sure that your Board will admit that we are entitled to consideration. When we entered into the new contract, all the necessary machinery and appliances were laid down by us for its proper fulfilment, and it was most certainly never contemplated that, owing primarily to a change in the law (the unification of the stamps), such an expenditure of time and money as we have been put to would have to be incurred. We have carried a most difficult undertaking to what we believe to be a successful issue, and whilst we are aware that your Board would have a difficulty in allowing us an adequate pecuniary compensation, we are sanguine that they will recompense us in some measure in another manner for the great effort that we have made in their service.

11. When work of any such a character has had to be initiated, we have always made it a condition that a contract should be conceded to us for a long term of years; but in this instance a contract is already in force, so that we simply beg respectfully to ask that an endorsement should be made to that contract, extending the term of it in so far as it relates to adhesive stamps, by ten years beyond the time it has to run. We feel confident that your Board will be so good as to take this proposal into favourable consideration, in view of all the circumstances of the case, and remembering the cordial assistance we rendered to the Stamp Committee, and the manner in which we entered into the project without pausing to consider how we should be affected by carrying it through. We were led on by an enthusiastic belief that the result would be a most marked success, and it was that conviction which supported us all through, and which has enabled us to overcome the many difficulties we have encountered. Now, however, that we look back upon the cost to us, both in time and in money, we feel that, in justice to ourselves, we must claim some kind of recompense at your hands.

12. Before we close this branch of our subject, we should say that although we find the printing in doubly fugitive inks of the solid back grounds to the heads, and the printing on coloured papers, so exceptionally difficult, we are prepared, under the extension of the contract, to continue to print the single-coloured stamps concerned at the contract price, provided a minimum price of $4\frac{1}{2}$ d. per thousand is fixed, and the allowance for spoilage in paper be increased to 15 per cent. (we must ask also for this allowance in the case of the bi-colour stamps), and it be arranged that the printing shall be done at suitable periods of the year. We think the most satisfactory arrangement would be for a large stock of the stamps always to be held at Somerset House, and that

we should be instructed at the commencement of each year how many stamps of each duty would be required during the year, so that we might apply for warrants for them in the order, and at the times we could best print them. Some such arrangement will, undoubtedly, have to be come to, to ensure good workmanship, and, as we have said, it is essential that the paper allowed for spoilage should be increased, seeing that it will, we fear, be impossible to keep it on the average below the percentage we have named.

13. We understand that under the new arrangement which has been entered into with the Secretary of State for India, we are to address your Board in all that relates to our contracts with the India Office, and as the work of the two Departments is, or will be, more or less connected, we cannot well do otherwise than associate our remarks concerning them in the same communication.

14. Had we been consulted respecting the change, we should have pointed out the extreme inconvenience of instituting it in the middle of a contract, seeing that all the machinery and arrangements for carrying out that contract had been established at great expense, and that to disturb them would entail a heavy outlay. Those considerations do not appear to have been taken into account, or at any rate into full account, as otherwise we cannot help thinking that we should have been referred to, seeing that the expense of any change must, owing to the circumstances of the case, be borne by us.

15. For the efficient amalgamation of the control, it is without doubt essential that re-arrangements should take place, and we have discussed with the Controller of Stamps and the Superintendent of Stamping the alterations which are required. Those alterations are shown on plans which we have prepared, and which have met with the approval of both those officers; but we find that they would cost a large sum of money to carry out, besides disturbing, thus involving loss to us, the course of the work for many months. That being the case, we submit that we cannot be expected to carry out those alterations except under a suitable arrangement.

16. The fact, too, that the contracts for the various forms of stamped papers are drawing towards a close has to be taken into full account. After the indent which is daily expected from India, there will be but one more due under the existing contracts, and as we have to be nearly a year in advance with many of our preparations for the execution of those indents, it is apparent that the discussion of the arrangements for carrying on the work could not in any case have been long postponed. The re-arrangement of our works which we are desired to effect would not continue to hold good were the stamped paper contracts to fall through, so it is evident that no effect can be given to them until a settlement has been arrived at regarding the future of the stamped paper work, seeing that it would be really impossible for us to conduct our business were a repetition called for of alterations of the character and extent contemplated.

17. The manufacture of the stamped papers is of an exceptionally refined and delicate character, conducted on so large a scale, and involving such heavy responsibilities and liabilities, that it is essential that any fresh agreement concerning it should be based as to the term thereof upon the present contract. It is not, however, in connection with the manufacture of the stamped papers that the new arrangements are required, but in regard to the work carried on under the Contract dated 25th January 1881, although as we have stated, those re-arrangements would not continue to hold were the stamped paper work interfered with. We have to consider, then, what proposal we can make in regard to carrying out those alterations, and after looking at the matter most carefully from every point of view, it appears to us that the only possible way by which we could be recompensed for the very heavy outlay we should have to incur would be for at least some part of the work to be assured to us for an extended term of years. Although it would not be an adequate recompense to us we should be prepared to accept a similar settlement of the matter to that we have suggested in the case of your work; that is to say, that an endorsement should be made on the Contract dated 25th January 1881, extending it, so far as the adhesive stamps are concerned, by a term of ten years.

18. The stamped paper contracts have still nearly two years to run, so that if they were made co-extensive with the extended contract for the adhesive stamps it would only be equivalent to the new contract being entered into for twelve years, which, considering the nature of the undertaking and the capital involved in carrying it on, we should not deem adequate under ordinary circumstances, but as it would appear desirable that the contracts should run to the same time, we should be prepared to accept that settlement of the matter, provided a clause similar to Clause 4 of the contract dated 25th January 1881 were inserted in the new stamped papers contract. In considering this proposal it must be borne in mind that a binding condition of the contract is that a stock of non-judicial stamped papers, equal to at least one year's consumption, should always be kept at the Belvedere-road India Store Depot. To the best of our belief no such stock is maintained there, so that the orders we have had have fallen short by one year's consumption of the quantities which would have been required had that condition of the contract been fulfilled.

19. In the generic name of "Stamped Papers" in the above remarks we include the Non-judicial, the Court Fee, the "For Copies," the Hundi, and the Salt Boat Note Stamped Papers.

2.0 Provided

20. Provided our various proposals prove acceptable, we are prepared to carry out the costly alterations discussed with the Controller of Stamps and the Superintendent of Stamping, as set forth on our plans, to our best ability; and we are further prepared to undertake the same responsibilities in regard to all forms of the stamped papers as we do in regard to the adhesive stamps, the mode of dealing with the papers at the mills, and the transmission of them to the Star Works being left undisturbed.

21. We are further prepared to be responsible for the correctness of the count of the English and Indian post cards and newspaper wrappers six months after a decision on the matter has been arrived at. It would take us that time to train the necessary checking staff to do the work at present performed by the tellers employed by your Department, and to carry out other arrangements. We had brought under our notice some time ago the importance your Board attached to saving the expense at present incurred in checking the articles in question, and we are glad, therefore, to be able to make this proposal; but apart from that consideration, seeing that the English Post Card and Newspaper Wrapper Counting and Banding Department would have to be moved and reorganized, as a consequence of the other alterations which are required, the necessity of dispensing with the tellers is an outcome of those alterations. It will, of course, be understood that our offer is made upon the condition that the count of the cards and wrappers should be sample-checked by male tellers employed at our works by your Department to the same extent and in the same manner as the postage envelopes are dealt with.

22. We are also prepared to change the waste of the stamped papers, and to hand them over in perfect lots. Further, to be responsible for the counting of the Indian postage envelopes, provided they are sample-checked to the same extent and in the same manner as are the English. This alteration would entail the abolition of the stock of parcelled envelopes and the arrangements as to packing being conducted in like manner to the post cards. The present mode of keeping a large stock of the postage envelopes is most prejudicial to them, besides throwing a responsibility upon us which we never assumed, and the course adopted in regard to the arrangements for their packing has been found to work unsatisfactorily.

23. The proposals which we have made would effect large savings in the control, and we think that it will be admitted that they are conceived in a liberal spirit, particularly when it is remembered that the occasion of the questions being raised is by no means our seeking.

24. We have already referred to the conditions, both as to spoilage allowance and mode of procedure, under which we should have to ask to be allowed to manufacture all the new stamps, except the halfpenny, and it but remains for us to refer to three other points which would in our view require settlement.

25. The practice has grown up for the officer controlling the making of stamp-printing plates, or the execution of any work connected with those plates, or the dies, to remain on duty for short hours, although it is expressly stated in all our contracts that the officer shall be in attendance our full working hours. Under the present conditions, the work is often much impeded, so that we must respectfully urge that an arrangement should either be made for officers to attend to those duties whose turn it is to work the full hours, or that, provided short time officers must continue to be employed, provision should be made for paying them overtime, so that they might be retained when requisite without feeling any grievance against us. In view of the extension of the plate-making, we are laying down new machinery and erecting a new workshop for it, and it has become essential, therefore, not only on our account, but even more so for the proper conduction of the work, that the practice of delaying those important operations in the morning, and breaking them off at about four in the afternoon, should be discontinued.

26. Although we have always used the "X" "For Copies" paper, questions have been raised about it from time to time. In order to avoid those questions in future, we should like it to be understood that the paper is to be dealt with as it has been heretofore, seeing that it would obviously be impossible to set aside large sheets of paper containing eight stamped papers because certain of those papers were damaged. Such a course we could not afford, and it is necessary to print the whole sheet and afterwards to reject the defective papers, in the manner we have practised.

27. Instead of examining the Indian adhesive stamps in the proper department, it has been customary to examine them in the room in which they have been printed. In our view that course is objectionable, for it is very desirable that the staff specially trained to that work should be entrusted with it, and we see no reason why the Indian stamps should be dealt with otherwise than are the English. In the case of the English stamps we deliver them perfect to Somerset House, and we propose that the Indian stamps should in like manner be forwarded by us to the packing-room perfect, to be finally checked by the officers before they are packed.

28. We have been prompted to write to you sooner than we had intended by the pressure which has been put upon us in regard to the new arrangements which it is desired to effect; but we wish to give expression to the great reluctance with which we

have run to such unusual length. We would not have done so had we not felt deeply anxious to lay the matters herein discussed fully before you, and it is on that account we venture to claim your kind indulgence.

29. Trusting that we may in due course receive a favourable reply,

We have, &c.
(signed) *Thos. De La Rue & Co.*

Sir Algernon West, K.C.B., &c., &c.,
Chairman of the Board of Inland Revenue,
Somerset House.

EXPLANATION of the APPENDICES herein referred to.

ON Appendix A. specimens of the halfpenny, penny, three-halfpenny, twopenny, twopence-halfpenny, threepenny, fourpenny, fivepenny, sixpenny, ninepenny, and shilling stamps of the series issued in April 1884 are given, and beneath them specimens of the same duties of the series issued January 1887.

ON Appendix B. exactly the same specimens are given as on Appendix A., except that in this case the stamps are cancelled by a Post Office obliterating stamp.

ON Appendix C. two sets of the halfpenny to one shilling stamps of the issue of January 1887 are given; one set having been treated with such detergents as could be used to remove a post office printed obliteration, the other set having been treated with such detergents as could be used to remove a written cancellation. In both cases the stamps themselves are destroyed.

Appendix, No. 11.

PAPER handed in Mr. F. L. Robinson.

CONTRACT FOR STAMPED PAPERS FOR THE GOVERNMENT OF INDIA.

SCHEDULE of Articles to be Supplied and Conditions of Tender.

1. *Category I.*—Large stamps for copies at 4 annas. Annual demand about two and a quarter millions. In all respects to be in accordance with the specimen annexed, marked No. 1. Weight of each thousand to be not less than 15½ lbs. Price per hundred thousand, with proportionate charge for less or for broken quantities, must be quoted.

2. *Category II.*—Small stamps for copies at 2 annas and 4 annas, and non-judicial stamped papers at 2 annas, 4 annas, and 8 annas. Total annual demand about fourteen millions. The small stamps for copies to be, in all respects, in accordance with the specimens annexed, numbered 2 and 3. The non-judicial stamped papers at 2, 4, and 8 annas to be, in regard to printing, in accordance with specimens annexed, numbered 4, 5, and 6; but to be on paper precisely similar to that used in the specimens for small stamps for copies (numbered 4 and 3). Weight of each thousand to be not less than 13 lbs. Price per hundred thousand, with proportionate charge for less or for broken quantities, to be quoted.

3. *Category III.*—Non-judicial stamped papers from 1 rupee to 9 rupees (14 rates of duty). Total annual demand about two millions. To be in all respects in accordance with the specimens annexed, numbered 7 to 20. Weight of each thousand to be not less than 14½ lbs. Price per thousand, with proportionate charge for less or for broken quantities, to be quoted.

4. *Category IV.*—Non-judicial stamped papers and India Court Fee stamped papers from 10 rupees to 97½ rupees (37 rates of duty, 18 of them being used with an additional plate for printing under the stamps the words, "India Court Fee"). Total annual demand of 10, 15, 20 and 25 rupees together about 250,000. Supplies of about ten other rates of duty are ordered annually in quantities of 500 each and upwards. To be in all respects in accordance with the specimens annexed, numbered 21 to 75. Weight of each thousand to be not less than 16½ lbs. Price per thousand, with proportionate charge for less or for broken quantities, to be quoted. Minimum quantity of any one duty to be ordered at one time, 500.

5. *Category V.*—Non-judicial stamped papers and India Court Fee stamped papers from 100 rupees to 1,000 rupees (82 rates of duty, 62 of them being used with an additional plate for printing under the stamps the words, "India Court Fee"). Annual demand very small indeed, only a very few rates being ordered each year, and then in quantities not less than 500 of each rate. To be in all respects in accordance with the specimens annexed, numbered 76 to 157. Weight of each thousand to be not less than 23 lbs. Price per 500, with proportionate charge for broken quantities above each complete 500, to be quoted.

6. It should be noted that the papers in Categories I. and II. are machine-sized, and that those in Categories III., IV., and V. are tub-sized and loft-dried, and have a secret watermark in addition to the prominent watermark.

7. It should also be noted that the whole of the foregoing stamps would require to be first printed in coloured ink, of such a character as to prevent a transfer to stone, or other direct process of forgery, and to withstand the trying light, damp, &c., of the Indian climate, and then to be over-printed with invisible ink.

8. All stamped papers are to be made up in parcels of 1,000, in approved wrappers, and are to be packed in tin-lined wooden cases (properly soldered, &c.), of a thickness of 1-inch at sides, tops, and bottoms, and 1½-inch at ends, 16,000 papers of Categories I., II., and III., 12,000 of Category IV., and 9,000 of Category V. being in each case. The prices tendered are, in every instance, to include cost of cases, packing, and delivery at the India Store Depôt, Belvedere-road, Lambeth, with alternative prices for delivery free on board vessels in the Port of London, as hereinafter provided in Clause 37. The prices must cover waste, for which no allowance will be made.

9. *Category VI.*—Hundi stamped papers at 2 annas to 12 annas (eight rates of duty). Total annual demand about 600,000. To be in all respects like the specimens annexed.

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annexed, numbered 158 to 165. Weight of each thousand to be not less than 6½ lbs. Price per thousand, with proportionate charge for broken portions of a thousand, to be quoted.

10. *Category VII.*—Hundi stamped papers, at 1 rupee to 18 rupees (11 rates of duty). Total annual demand uncertain, but generally about 120,000. To be in all respects like the specimens annexed, numbered 166 to 176. Weight of each thousand to be not less than 6½ lbs. Price per thousand, with proportionate charge for less or broken quantities, to be quoted. Minimum quantity of any rate of duty to be ordered, 250.

11. *Category VI. and VII.* to be printed in colour of a character to guard against direct forgery of any kind, and on paper chemically prepared, so as to secure immunity from any alteration in the manuscript which it may bear.

12. The papers to be made up in parcels of 1,000, in approved wrappers, and to be packed in tin-lined wooden cases (properly soldered, &c.), of a thickness of 1 inch at top, bottom, and sides, and 1½ inch at ends, from 36,000 to 40,000 papers to be in each case.

13. All the specimens referred to herein will be supplied on application to the Controller of Stamps, Somerset House. The competing firms will, however, have to give a receipt for them, and an undertaking to return them if unsuccessful in the competition.

14. The process of printing must be surface printing from electrotypes, as at present. Competing firms must annex to their tenders elaborate specimens of their work (on this system), printed in precisely the same colours as shown in the specimens, and with inks of the character hereinbefore described. They must likewise be over-printed with invisible ink. They must be on watermark paper, which will be supplied on demand by the Controller of Stamps. As these specimens will be submitted to such test as the Secretary of State for India in Council shall deem desirable, they must be sent in in triplicate of each colour.

15. Any firm who may be of opinion that immunity from direct and indirect forgery can be obtained by a method other, and not more expensive, than that adopted in the specimens annexed hereto, will be at liberty to annex also, to their tender, specimens produced under such system, quoting the alternative prices. The present colours must not, however, be departed from.

16. *Category VIII.*—Prices of dies, plates, &c. (for any new rate of duty which may be introduced after the contract has been entered into), to be quoted.

(For stamped copies, Non-judicial and Court Fee stamped papers):—

	£.
Original Queen Victoria head die (when necessary) - - - -	
Original head die, with tiara and hair varied (when necessary) - -	
Stamp die - - - - -	
Tablet plate - - - - -	
Duplicate tablet plate - - - - -	
Dandy-roll, with any new design for paper for Categories I. and II. -	
Dandy-roll, with any new design for paper for Categories III., IV., and V. - - - - -	

(Hundi stamped papers):—

	£
Original tablet plate - - - - -	
Special duty tablet plate - - - - -	
Dandy-roll, with any new design for paper - - - - -	

Any such dies, plates, &c., or renewals thereof, will be the absolute property of the Secretary of State in Council.

17. The Contractors will have the use of all existing dies, plates, dandy-rolls, &c., in their then condition at the time of entering into the contract, but must, at their own expense, provide for renewals of the same when necessary. These renewals will also become the property of the Secretary of State in Council. Any expense under this head must be taken into account in the charge for the completed papers.

18. The manufacture of the watermark paper (except for the Hundi stamped papers) may be conducted at any mill or mills selected by the Contractors, and approved by the Secretary of State in Council; but right must be reserved for the officers of the Secretary of State in Council to inspect or control the manufacture, whenever they may think necessary.

19. The term "Officers of the Secretary of State in Council" used in the preceding clause, and in succeeding clauses, shall mean the Director General of Stores for India, and the Controller of Stamps and the Inspector of Stamping for England, and their respective subordinates; and such other officers as may be duly recognised by the Secretary of State in Council for the various purposes herein referred to.

20. The paper used for the stamps in Categories I. and II. may be made without continuous official control, although the right of inspection is reserved; but that in the other categories must be made under the direct superintendence of the officers of the Secretary of State in Council, who will have the custody of the various dandy-rolls.

21. The

21. The proper officer of the Secretary of State in Council must be advised of the particulars of all consignments from the mill to the Contractor's premises.

22. All paper for Categories III., IV., and V., spoilt at the mill, to be re-pulped in the presence of the officers of the Secretary of State in Council.

23. The paper for the Hundi stamps must, for the present, be made at the Government paper mill at Roughway, near Tonbridge, under existing conditions, on such terms as the Contractors may arrange with the proprietors, Messrs. R. D. Turner & Co. (The quantity of this kind of paper is, however, not very large).

24. The papers employed must, in all instances, except for the Non-judicial stamps in Category II., be equal in weight, quality, &c., to that used for the specimens furnished herewith. The Non-judicial stamps in Category II. must be on paper precisely similar to that employed in the specimens of small "stamps for copies," included in the same category. The paper in Categories III., IV., and V. must be tub-sized and loft-dried. The secret watermarks in the three last-mentioned categories are to be similar to those which have hitherto been approved on behalf of the Secretary of State in Council, and shall be subject to change from time to time as he may require.

25. All the subsequent processes in the production of the various stamps must be conducted in premises, approved by the Secretary of State in Council, within four miles of Whitehall, under the supervision of the officers of the Secretary of State in Council, who will have the custody of all dies and plates, and who will control the making of all duplicates of existing plates, and of all new dies and plates, as also the printing in colours.

26. In the printing room no other work, except that under this contract, shall be carried on.

27. The subsequent operations up to the time of packing in cases will be uncontrolled, except that all the goods, before being parcelled, will be subjected to an examination by the officers of the Secretary of State in Council, who shall have the absolute right of rejection if not satisfied in all respects with the quality.

28. Standards of quality selected from the existing stock, and corresponding with the specimens annexed, will be attached to the Contract to be entered into by the Contractors, as hereinafter provided.

29. No retree paper is to be used.

30. The Contractors must supply at their own cost suitable iron, fire, and thief-proof safes for the custody of the dies and plates when not in use. These will be in the sole custody of the officers appointed by the Secretary of State in Council for the purpose.

31. Printing-plates left in the printing presses, when work is not being carried on must be secured in a manner approved by the officers of the Secretary of State in Council.

32. The stamps which are demanded in such large quantities as to make it desirable for the Contractors to produce them by machine, viz., those in Categories I., II., and III., should be produced in sheets of eight stamps; those printed by hand machine, viz., those in Categories IV. and V., should be printed in sheets of two stamps; and those in Categories VI. and VII. in sheets of eight stamps.

33. All watermark paper delivered at the Factory will be counted on arrival by the officers of the Secretary of State in Council, and again in the printing room immediately after printing.

34. In all the processes the Contractors will be responsible for the safe custody of the watermark paper. There will be a penalty of 1 l. attached to the loss of each sheet, or part of a sheet, as delivered from the mill.

35. On the completion of the printing in colour, the Contractors will be required to give a receipt for all stamps delivered over to them for completion; and, up to the completion of delivery, as provided in Clause 37, will be solely responsible for their safe custody, and will be liable to make good the face value of any missing stamps.

36. The packing of the parcelled stamps in the tin-lined cases will be under the supervision of the officers of the Secretary of State in Council, who, when the cases are closed, will seal them with an official seal.

37. The packed cases, duly marked and addressed, accompanied with a certificate specifying the number and denomination of the stamped papers which each case contains, must, at the cost of the Contractors, be delivered on Wednesday and Friday in each week, at the India Store Depôt, in Belvedere Road, Lambeth, unless instructions for delivery free on board vessels in the Port of London are sent to the Contractors by the Superintendent of the India Store Depôt, so as to be received by them not later than the Saturday preceding the week in which the shipment is to be made.

38. An annual order will be given in or about December of each year, commencing in 1888. The manufacture must then be conducted at an equable rate throughout the following year and each succeeding year, so as to secure a continuous and uniform production and delivery.

39. An estimate of the annual consumption in each category is given, but the Secretary of State in Council does not bind himself to these or any quantities, which will depend on the requirements of the Governments of India.

40. Accounts to be rendered in such form as the Secretary of State in Council may require, and payments to be made monthly.

41. The Contractors must provide adequate accommodation, to the satisfaction of the Secretary of State in Council, for the officers who may be deputed to control the production and examination of the stamps, and for the conduct of the business generally, including the burning of such stamps as are spoilt in course of manufacture. After the spoilt stamps have been cut from the sheets for destruction, the remainder of the sheets will be given back to the Contractors to be repulped.

42. The supervision of the officers of the Secretary of State in Council will be exercised so as not to interfere with or impede the Contractor's servants, but they will, if necessary, call the Contractor's personal attention to any defect in the work during its progress; and the Contractor shall, in the event of any misconduct on the part of any of their work-people upon the requisition of the Director General of Stores for India, remove the person or persons so offending from any of the rooms or places under the control of the officers of the Secretary of State in Council.

43. The work at the Factory to be entirely stopped on the second working day of January in each year, to enable the officers of the Secretary of State in Council to take stock of all printed and unprinted material.

44. The hours during which the officially controlled manufacture shall be conducted shall be from 8 a.m. to 7.30 p.m.

45. The Contract shall have effect from the 1st of January 1889 to the 30th of June 1898, and shall only refer to the stamps which are herein specified, and so long only as they may be required by the Secretary of State in Council, or to such others of a similar character, with which the Secretary of State in Council may, from time to time, in his discretion, require to be supplied.

46. The Firm, whose tender may be accepted, will be required forthwith to execute a Contract embodying the terms and conditions hereinbefore specified, and to furnish security for 10,000 £. to ensure the due performance of such Contract, such security to be in the form of a joint and several Bond or Covenant by all the members of the Firm and two securities to be approved by the Secretary of State in Council.

47. Such Contract shall contain provisions enabling the Secretary of State in Council to put an end to the Contract upon giving six months' notice in writing, under the hand of the Director General of Stores, to the Contractors, upon any or either of the following grounds, that is to say,—If the Contractors (unless prevented by fire or other sufficient reason) shall at any time make default in proceeding with the manufacture and delivery of the stamps and paper herein specified, in accordance with the annual order referred to in Clause 38, or if they shall commit any wilful breach of the terms or stipulations herein or in the said Contract specified, or if they shall do any act or thing contrary to the provisions of the said Contract, whereby loss or inconvenience may be caused to the public service, and also provisions enabling the Secretary of State in Council, whether the said Contract is put an end to or not, to recover damages from the Contractors for any breach of the terms or stipulations herein or in the said Contract specified.

48. By Act 22 Geo. III., cap. 45, no person who is a member of the House of Commons is competent, either alone or jointly with any other person, to enter into the Contract, which is made upon the condition that no such member is to be admitted to any part or share thereof, or to any benefit or advantage to arise therefrom. This will not however, extend to any incorporated trading company tendering in its corporate capacity for the benefit of such company.

49. Each tender, with its relative specifications or descriptions, should be enclosed in a sealed envelope marked "*Tender for the supply of Stamped Papers for the Government of India*," and addressed

"The Honourable Commissioners of Inland Revenue."

The envelope thus marked and addressed should be enclosed with a covering letter in an outside cover, directed to

W. H. Cousins, Esq., C.B.,
Joint Secretary to the Board,
Inland Revenue,
Somerset House, W.C.,

and be delivered personally at the Inland Revenue Office, on Tuesday the 1st May next, between the hours of 10 a.m. and 12 (noon).

50. The Secretary of State in Council does not bind himself to accept the lowest or any tender.

51. Any further necessary particulars may be obtained on personal application to the Controller of Stamps, Inland Revenue Office, Somerset House.

INDIAN STAMPED PAPERS.

(E. 1712-88.)

Inland Revenue, Somerset House,
27 March 1888.

Gentlemen,

I AM directed by the Board of Inland Revenue to acquaint you that the present manufacturers have called attention to an error in the weights given in the schedule of articles to be supplied and conditions of tender.

(1.) The following weights should be read as if in the original printed schedule such weights were stated to be the minimum weights of the finished articles:—

								Column A. Corrected Minimum Weight for each 1,000 of Finished Articles.	Column B. Minimum Weights previously stated in the Schedule.
								<i>Lbs. oz.</i>	<i>Lbs. oz.</i>
Category I.	-	-	-	-	-	-	-	15 7	15 8
„ II.	-	-	-	-	-	-	-	12 9	13 -
„ III.	-	-	-	-	-	-	-	14 2	14 8
„ IV.	-	-	-	-	-	-	-	16 13	16 12
„ V.	-	-	-	-	-	-	-	21 10	23 -
„ VI. (Hundi)	-	-	-	-	-	-	-	5 8	6 8
„ VII.	„	-	-	-	-	-	-	5 8	6 8

The weights set out in Column A., as above, are, therefore, to be substituted in the printed schedule for the weights therein inserted.

(2.) The present manufacturers also state that both descriptions of papers used for Categories I. to V. inclusive are:—

- (a) Made with pure rags;
- (b) That they are both plate-glazed; and
- (c) That they are both animal-sized, one being loft-dried.

The Board think it right to acquaint each competitor with these statements, but, of course, their duty is simply to procure papers equal in all respects to the specimens that have been sent out.

(3.) You are also requested to note that with reference to paragraph 14 of the printed schedule of articles the competing firms must send in specimens of their work on water-marked paper, which will be supplied by the Controller of Stamps on demand; and, in addition to specimens on such paper so supplied, must send in (in triplicates) specimens on a paper of their own selection and provided by themselves, such paper to be generally similar in character to the papers supplied by the Controller of Stamps and Stores.

(4.) It is also to be noted that as it is probable that a certain number of the small stamps for copies included in Category II. may be required to be printed with 20 blue faint lines, answering precisely in character to the 25 lines now appearing in specimens marked No. 1 in the series of specimens issued to competing firms, such firms must state in their tenders the additional charge, if any, per thousand papers for ruling with 20 lines, in the manner shown in the specimen No. 1 (large stamps for copies), the small stamps for copies whenever the latter may be demanded in that form.

I am to request that you will acknowledge the receipt of this letter.

I am, &c.
(signed) W. H. Cousins.

MEMORANDUM of Supplementary Instructions given to each Firm.

Specimens of Printing to be sent in with Tender.

- Categories I. and II.** ON the paper with the watermark of the Royal Arms, and the words "India Stamp Office, India," three impressions of the brown colour, with overprint, as in specimens 1 to 3; and three of the blue colour, with overprint, as in specimens numbered 4 to 6.
- (a) Three impressions of each of the same colours on the other paper supplied by the Controller of Stamps for the purpose, which is either unwatermarked or bears the watermark of "T. & J. H. Kent."
- (b) Three impressions of each of the same colours on paper to be supplied by the competitors themselves.
- Categories III., IV., and V.** Three impressions of each of the brown, green, pink, and purple colours, with overprint, as shown in the specimens numbered 7 to 157, on the paper with the watermark "Ten rupees and under one hundred, &c."
- Three impressions of each of the same four colours on each of the two kinds of paper as described above in paragraphs marked (a) and (b).
- Categories VI. and VII.** Three impressions of the purple colours shown in the specimens numbered 158 to 176 on the paper with the watermark "Hundi-India, &c."
- Three impressions of the same colours on each of two kinds of paper as described above in paragraphs marked (a) and (b).
- Twice the quantity of paper actually required for the specimens is given out to allow for spoilage.
- The tone of the invisible overprint required in Categories I. to V. should be as in the specimen numbered 2.

Inland Revenue, Somerset House, W.C.,
27 February 1888.

Gentlemen,

As the existing contract for the supply of the Indian stamped papers will terminate in the course of a few months, I am directed by the Board of Inland Revenue, acting as agents for the Secretary of State for India in Council, to inquire whether you are desirous of putting in a tender for the supply of the stamped papers, &c.

The firm ultimately selected will be required to give bond, in the sum of 10,000 £, for the due performance of the contract, and the manufacture must be conducted at approved premises situate within four miles of Whitehall.

Should you desire to put in a tender, a schedule of articles to be supplied and of conditions of tender will be forwarded to you on your applying for the same by letter to the Honourable Commissioners of Inland Revenue, Somerset House, sent under cover to me.

I am, &c.
(signed) W. H. Cousins.

Appendix, No. 12.

PAPERS handed in by Mr. C. H. B. Patey.

STATEMENT showing the Annual Amounts Payable by TELEGRAPH CABLE COMPANIES to the POST OFFICE as Rentals of SPECIAL WIRES (within the United Kingdom) and of PNEUMATIC TUBES.

NAME OF COMPANY.	Amount.	REMARKS.
	£. s. d.	
Anglo-American Telegraph Company - - -	10,884 14 0	
Commercial Cable Company - - -	8,050 - -	
Direct Spanish Telegraph Company - - -	1,925 - -	
Direct United States Cable Company - - -	4,280 - -	
Eastern Telegraph Company - - -	6,325 - -	
Indo-European Telegraph Company - - -	2,425 - -	
Paris and New York Telegraph Company - - -	2,645 - -	
Western Union Telegraph Company - - -	5,393 10 -	
TOTAL - - - £.	41,828 4 6	

STATEMENT showing the Number of MESSAGES of all kinds Forwarded from POSTAL TELEGRAPH OFFICES in the UNITED KINGDOM for Nine Years, and the Amount Paid for SALARIES and WAGES of the TELEGRAPH SERVICE in the same Years.

YEAR.	Total Number of Messages.	Amount of Salaries and Wages.	Number of Messages for each £. of Salary.
		£.	
1879-80 - - - - -	26,547,137	689,865	38
1880-81 - - - - -	29,411,982	719,289	41
1881-82 - - - - -	31,345,861	779,372	40
1882-83 - - - - -	32,092,026	842,239	38
1883-84 - - - - -	32,843,120	895,590	37
1884-85 - - - - -	33,278,459	939,354	35
1885-86 - - - - -	39,146,283	1,035,239	38
1886-87 - - - - -	50,248,639	1,153,863	44
		Estimates.	
1887-88 - - - - -	53,403,425	1,230,267	43

The figures in the second column (excepting those for 1887-88) are taken from page 34 of the Postmaster General's Report of 1887.

The figures in the third column are taken from Statement No. II. of the printed Tables of Expenditure and Revenue furnished to the Committee.

The Reduced Tariff was introduced, 1st October 1885.

STATEMENT showing the Amounts paid by GOVERNMENT DEPARTMENTS, through Accounts opened with the POST OFFICE, in respect of TELEGRAMS sent by CABLE COMPANIES during the Year ended 31st December 1887.

NAME OF DEPARTMENT.	Amount.	REMARKS.
	£. s. d.	
Admiralty - - - - -	1,783 6 9	
Astronomer Royal - - - - -	13 17 11	
Board of Trade - - - - -	38 - 2	
Civil Service Commission - - - - -	- 17 10	
Colonial Office - - - - -	4,207 1 1	
Education Department - - - - -	- 4 3	
Exchequer and Audit Office - - - - -	2 9 2	
Foreign Office - - - - -	6,761 17 6	
Home Office - - - - -	50 18 -	
House of Commons Offices - - - - -	1 3 7	
House of Lords Offices - - - - -	- 7 2	
India Office - - - - -	7 13 11	
Lord Chancellor - - - - -	- 2 8	
Office of Works - - - - -	10 13 2	
Post Office - - - - -	119 7 5	
Privy Council - - - - -	3 18 9	
Science and Art Department - - - - -	5 12 10	
Treasury - - - - -	60 13 8	
War Office - - - - -	333 6 6	
TOTAL - - - £.	13,407 12 4	

Note.—It is believed that Government Telegrams are sometimes handed direct to the Cable Companies, in which case they would not enter into the Post Office Accounts. The Crown Agents for the Colonies and the various Colonial Agents-General prepay all telegrams handed by them to the Post Office.

Appendix, No. 13.

PAPERS handed in by Sir S. A. Blackwood, K.C.B., in reference to Q. 881.

WEIGHTS of Correspondence for *United States*, including "Transit Letters," &c., and for *Australia* viâ *Suez*, and to and from *India*.

	Letters and Post Cards.	Other Articles.
	<i>Lbs.</i>	<i>Lbs.</i>
UNITED STATES, &c.,—Out:		
Year ended 1st February 1888 - -	285,128	2,421,374
AUSTRALIA,—Out:		
Year ended 31st March 1886 - - -	73,523	1,149,316
INDIA,—Out:		
Year ended 31st March 1887 - -	56,571	707,868

THE Figures Year by Year from 1881-82 to 1888-89 of the SALARIES and WAGES of the Total STAFF of the POST OFFICE, including all Ranks.

YEAR.	Postal and Packets.	Telegraph.	TOTAL.
	£.	£.	£.
1881-82 - - - -	2,167,727	779,372	2,947,099
1882-83 - - - -	2,345,072	842,239	3,187,911
1883-84 - - - -	2,670,804	895,590	3,566,394
1884-85 - - - -	2,829,210	939,354	3,768,564
1885-86 - - - -	2,952,620	1,035,239	3,987,859
1886-87 - - - -	3,125,082	1,158,863	4,278,895
1887-88 - - - -	3,249,761	1,230,267	4,480,028
1888-89 - - - -	3,441,657	1,303,313	4,744,970

Appendix, No. 14.

PAPER handed in by Mr. Patey.

NUMBER of PRESS MESSAGES, ASSOCIATIONS, &c.

YEAR.	TOWNS.	NEWSPAPERS.	INSTITUTIONS.	MESSAGES Delivered.	WORDS Delivered.
1871 - - -	- -	- -	- -	- -	21,701,968
1881, 26 March -	326	525	278	2,735,042	327,707,407
1882 - - -	322	523	288	3,004,721	340,966,344
1883 - - -	322	543	303	3,392,944	375,748,196
1884 - - -	324	533	303	3,466,190	399,273,881
1885 - - -	371	578	397	3,816,653	421,362,579
1886 - - -	327	521	322	4,043,116	440,069,672
1887 - - -	286	499	289	4,289,986	481,796,401

Appendix, No. 15.

PAPERS handed in by Sir *Charles Du Cane*, K.C.M.G.

THE CUSTOMS ESTIMATES, 1888-89.

ESTIMATE - - - £. 937,920.

DECREASE - - - £. 13,928.

THE Estimate includes the whole cost of the Customs throughout the United Kingdom, inclusive of Superannuation and other Non-effective Charges. It is made up of the following Heads:—

	Amount.	Increase, compared with Estimates for 1887-88.	Decrease, compared with Estimates for 1887-88.
	£.	£.	£.
A.—Superintending Establishment - -	16,740	—	1,410
B.—Establishment of the Port of London -	260,600	—	2,920
C.—Establishments of the Liverpool District.	97,520	—	420
D.—Establishments other than London and Liverpool.	310,120	—	10,050
E.—Law Charges, Subsistence of Prisoners, &c.	9,665	—	175
F.—Superannuations - - - - -	197,052	1,395	—
G.—Commutation of Pensions - - - -	1,223	—	348
TOTAL - - - £.	937,920	1,395	15,328

In Appendix I. will be found a list of the various scales of salary in force in the Customs Department at the present time, and in Appendix II. the rank and number of officers in London, Liverpool, and at the Outports.

A.—With respect to the savings, 1,410*l.*, shown under the first head, it is to be observed that they mainly arise from vacancies which existed when the Estimates were prepared in two of the most important offices in the Customs Service, viz., those of Secretary and Surveyor General. The former office has since been temporarily filled, pending a settlement of the question of amalgamation with the Inland Revenue, by an acting Secretary, at a cost of only 200*l.* a year. The saving on this one item alone, as compared with 1887-88, is therefore 1,200*l.* The other vacancy, that of Surveyor General, still exists, though there is an acting Surveyor General with an acting allowance of 100*l.* On this item there is a saving of about 700*l.*

A decreased expenditure is expected on copyists in the Superintending Establishment, amounting to 200*l.*, and for extra special services of 100*l.*; also for travelling and subsistence allowances of 100*l.*

On the other hand, increased expenditure has had to be provided for several items to meet the regular annual and triennial increments of salary.

Comparing the year 1883-84 with the year 1888-89, there is an apparent saving of 3,750 *l.* in the cost of the Superintending Establishment, arising principally from the following items :—

	£.
Abolition of a Commoissinership - - - - -	1,200
Re-organisation of Accountant and Controller General's Office - - - - -	2,325
Reduction in Copyists - - - - -	1,080
Extra attendance - - - - -	400

while there has been an addition of 900 *l.* to the authorised expenditure on the Surveyor General's Office, and of 500 *l.* on the Statistical and Bill of Entry Office.

The real saving is, however, much more than 3,750 *l.*, because the Establishment has been increased since 1884 by the addition of work from the Searcher's Office, now abolished, and by the fact that clerks in the Surveyor General's Office, formerly included in the Port Establishment, have been added to the Superintending Establishment. Taking into account these transfers of work, the cost of the Superintending Establishment has been decreased by 7,370 *l.* in the last five years.

B.—The saving arising under the second head, 2,920 *l.*, is chiefly due to the following causes. About 2,300 *l.* to the institution of a new class of officers called assistant examining officers, which was instituted to remedy the anomaly of the lower grade of examining officers and the higher grades of out-door officers and boatmen who might be acting temporarily on examining officers' duty, receiving widely different pay while performing work of practically the identical character. About 500 *l.* is due to the efforts which have been and will be made to lessen the employment of copyists; about 200 *l.* less is required for uniform clothing, and 100 *l.* less for extra attendance.

In the last five years, the expense of the Port of London Establishment has been reduced apparently by 31,900 *l.*, in reality, by 28,280 *l.*, because of the transfer of certain of its work to the Superintending Establishment. The chief items of that saving have been the undermentioned :—

	£.
Long Room—Principal searchers and clerks for general duties - - - - -	14,670
Copyists - - - - -	3,700
Glut pay - - - - -	7,950
Extra attendance - - - - -	1,000
Travelling and removal expenses - - - - -	2,250
Clothing - - - - -	900
Boats - - - - -	500

C.—Under the third head (C.), the saving of 420 *l.* is due to a variety of small items, chief amongst which may be enumerated the institution of the class of assistant examining officers, many of whom, with salaries of from 100 *l.* to 150 *l.*, will perform work hitherto done by examining officers of the 2nd class, with salaries of 220 *l.*

In five years the saving on this head of the Estimates has been 16,930 *l.* It has arisen chiefly in connection with the following sub-heads :—

	£.
Indoor department - - - - -	11,395
Copyists - - - - -	300
Glut pay - - - - -	7,000

while there have been increases amounting to 3,000 *l.* upon the outdoor staff extra attendance, travelling boats, &c.

D.—In the fourth head (D.) (Establishments other than London and Liverpool), a saving of 10,050 *l.* is shown this year. Of this, 1,285 *l.* is due to reductions in the numbers of superintendents and principal coast officers, 3,800 *l.* to the institution of assistant examining officers, and the consequent changes in the ranks of the examining officers; also to reductions of the numbers in the classes of the latter officers and in those of outdoor officers; 1,000 *l.* to reductions in the numbers of copyists employed; 3,300 *l.* in glut pay; 800 *l.* in travelling allowances; and 1,000 *l.* in removals of officers.

In

In the five years the reductions under this head have amounted to 45,620 *l.*, chiefly made up of the following :—

	£.
Collectors and superintendents - - - - -	7,250
Clerks - - - - -	22,060
Copyists - - - - -	1 800
Glut pay - - - - -	16 800
Extra attendance - - - - -	500
Travelling and removal expenses - - - - -	2,500
Boats - - - - -	500

while there has been an additional expenditure of 3,340 *l.* on the outdoor department, which took over the warehousing duties formerly done by the clerks, whose salaries are shown as saved in the above statement.

E.—The saving under this sub-head, viz., Law Charges and Subsistence, is not very large, the total amount of the sub-head being only 9,665 *l.* The saving of 175 *l.* is due to the abolition of the office of Agent for Scotch Law.

In the five years the reduction under head E. has amounted to 985 *l.*, principally on account of two clerkships which have been abolished, and to a reduction of 200 *l.* in the rewards given for the capture of smugglers.

F. and G.—These two heads may conveniently be taken together. They represent the non-effective portion of the Vote, and thus considered are the only portion of the Estimates which show an increase.

That increase, amounting for the two heads together to 1,047 *l.*, is due to the general system of re-organizations and reforms which for several years have been pursued in the Customs Department. In the five years the increase in superannuations and compensations has amounted to 30,320 *l.*; but that increase was the price at which the extensive reductions already referred to under other heads of the Vote have been purchased. Its justification is in the grand result of the changes which within that period have been carried out, and which have had for their outcome a reduction of the charge upon the country for the collection of its Customs Revenue amounting to 68,865 *l.*, being a decrease for the cost of collection from 4*l.* 10*s.* 8*d.* per cent. in 1883 to 4*l.* 6*s.* 8*d.* per cent. in 1887. Ultimately the saving will be greater, because the increase in the non-effective portion of the Vote will gradually diminish, while the saving so far carried out in the Vote for the effective service will be permanent, and amounts in the five years to 99,185 *l.*

Appendix I.

SCALES OF SALARY.

DESIGNATION.	SALARY OF OFFICE.		
	Minimum.	Increment (Annual if not otherwise stated).	Maximum.
	£.	£. s. d.	£.
Collectors, <i>see</i> below - - - - -	—	—	—
Superintendents, 1st Class - - - - -	190	10 - -	240
„ 2nd Class - - - - -	140	10 - -	180
Principal Coast Officers, 1st Class - - -	110	5 - -	180
„ „ 2nd Class - - - - -	80	5 - -	100
Principal Clerks - - - - -	500	20 - -	600*
Clerks, 1st Class - - - - -	220	15 - -	400
„ 2nd Class - - - - -	70	5 l. for 4 years, after- wards 10 l.	200
„ Lower Division - - - - -	80	15 l. triennially -	200
Surveyors, 1st Class † - - - - -	420	15 - -	480
„ 2nd Class † - - - - -	350	15 - -	410
„ 3rd Class † - - - - -	300	10 - -	340
Inspector, Tyne Waterguard - - - - -	350	15 - -	410
Examining Officers, 1st Class - - - - -	220	10 - -	300
„ „ 2nd Class - - - - -	110	7 10 -	220
Assistant Examining Officers - - - - -	100	3 - -	150
Out-door Officers, 1st Class - - - - -	85	1 10 -	100
„ „ 2nd Class - - - - -	55	1 10 -	80
Boatmen, 1st Class - - - - -	70	1 - -	75
„ 2nd Class - - - - -	55	1 - -	65
Watchmen ‡ - - - - -	55	1 - -	65

House Porters, 50 l. per annum.

Men Copyists, 10 d. an hour.

Boy Copyists, 4 d. an hour, increasing ½ d. an hour per annum.

Preferable Extra-men, 3 s. 6 d. a day when employed.

Pensioner Boatmen.—Wages: Such a sum as for the time being makes up, when added to their pensions, the fixed sum of 75 l. per annum.

Boy Messengers, 7 s. to 11 s. a week.

* After the next appointment the salary of the Principal Clerks is fixed at 500 l.

† Excepting Liverpool, where the scales are—

Surveyors, 1st Class, 490 l. by 15 l. to 550 l.

Ditto - 2nd Class, 420 l. by 15 l. to 480 l.

Ditto - 3rd Class, 350 l. by 15 l. to 410 l.

‡ 1 s. Sunday pay when employed.

Salaries of Collectors.

1 - - - at £. 1,200	3 - - - at £. 450
1 - - - at 1,000	3 - - - at 400
4 - - - at 700	6 - - - at 350
4 - - - at 600	12 - - - at 300
11 - - - at 500	8 - - - at 250

Superintendents.

15, 1st class, 190 l. to 240 l. | 30, 2nd class, 140 l. to 180 l.

Appendix II.

STATEMENT showing the Rank and Number of Officers in *London, Liverpool, and at the Outports.*

R A N K.	London.	Liverpool.	Outports.	TOTAL.
Principals and Assistant Principals - - - - -	8	1	—	9
Principal Clerks (including Solicitor's Office) - - -	18	1	1	20
Clerks, Upper Division and Law Clerks - - - - -	75	—	—	75
Clerks, Lower Division - - - - -	157	—	—	157
Clerks, 1st Class, Liverpool and Outports - - - - -	—	9	43	52
Clerks, 2nd Class, Liverpool and Outports - - - - -	—	27	136	163
Clerks, Bill of Entry - - - - -	—	—	1	1
Surveyors General - - - - -	3	—	—	3
Medical Officers - - - - -	2	—	—	2
Collectors - - - - -	—	1	54	55
Superintendents - - - - -	—	—	45	45
Principals and Assistant Principals, Out-door Department -	6	2	—	8
Surveyors, 1st Class - - - - -	10	3	4	17
Surveyors, 2nd Class - - - - -	17	4	13	34
Surveyors, 3rd Class - - - - -	33	8	19	60
Examining Officers, 1st Class - - - - -	120	38	73	231
Examining Officers, 2nd Class - - - - -	300	92	236	618
Assistant Examining Officers - - - - -	140	67	268	475
Out-door Officers, 1st Class - - - - -	220	114	205	539
Out-door Officers, 2nd Class - - - - -	294	143	368	805
Watermen or Boatmen, 1st Class - - - - -	57	25	171	253
Watermen or Boatmen, 2nd Class - - - - -	115	45	407	567
Principal Coast Officers, 1st Class - - - - -	—	—	33	33
Principal Coast Officers, 2nd Class - - - - -	1	—	63	64
Officekeepers or Housekeepers - - - - -	1	1	3	5
Confidential Messenger (Solicitor's Office) - - - -	1	—	—	1
Head Messenger - - - - -	1	—	—	1
Messengers (1st Class, 17; 2nd Class, 29) - - - -	46	—	—	46
Doorkeeper Constable - - - - -	1	—	—	1
House Porters - - - - -	1	—	2	3
Watchmen and Constables - - - - -	14	5	6	25
Lithographers - - - - -	2	1	—	3
TOTAL Established Officers - - -	1,643	587	2,141	4,371
Copyists, Men - - - - -	89	29	34	152
Copyists, Boy - - - - -	1	5	2	8
Preferable extra Men - - - - -	200	79	200	479
TOTAL - - -	1,933	700	2,377	5,010

The Secretary to the Treasury to the Commissioners of Customs.

Gentlemen, Treasury Chambers, 8 March 1887.
THE Lords Commissioners of Her Majesty's Treasury have had before them the Estimates for your Department for the year 1887-88.

The Estimates again show the marks of careful and economical administration, the gross reduction of effective charge as compared with the current year being 17,390 *l.*, and a net reduction of 4,209 *l.* thus resulting upon the whole Estimate, although the non-effective charge has been increased by 13,181 *l.*

The Estimate is approved at a total of 951,848 *l.*, after reduction of Sub-head B., by 200 *l.*, the inspector in receipt of 800 *l.* a year having been succeeded by an inspector at the minimum salary of 600 *l.*; and the omission of the salary of one of the Commissionerships, which is at present vacant.

The Commissioners of Customs.

I am, &c.
(signed) *W. L. Jackson.*

The Secretary to the Treasury to the Commissioners of Customs.

Gentlemen, Treasury Chambers, 3 March 1888.
THE Lords Commissioners of Her Majesty's Treasury have had before them the Estimate for the Customs Department for the year 1888-89.

Their Lordships are glad to be able again to record their satisfaction at the results of the various measures of economy and efficiency which have been submitted to them in the course of the past year, and which have produced a further reduction in the total of the estimated expenditure.

The Estimates appear to have been carefully drawn, and my Lords approve them at a total of 937,920 *l.*

The Commissioners of Customs.

I am, &c.
(signed) *W. L. Jackson.*

Appendix No. 16.

PAPERS handed in by Mr. F. L. Robinson.

REPORT by Controller of Stamps and Stores on Messrs. *De La Rue's* Letter of 11th November 1886.

THE claim made by Messrs. *De La Rue* in this very lengthy document is simply preposterous. Bereft of an unnecessary mass of details, which I cannot desist from saying, seems to have been inserted for the purpose of confusing the case; shortly stated, amounts simply to this:—

On the ground (1), that they have expended much labour, skill, and capital upon the manufacture of the new stamps, and (2) that, to meet the requirements of the united control, &c., of the Indian and British stamps, they have been called upon to make alterations in their factory which will involve them in certain expense, they ask (a) that, the current contract for English adhesive stamps shall be extended for ten years beyond its termination, *i.e.*, for fourteen years from the present date; (b), that the Indian adhesive stamps contract shall be extended in a like manner, *i.e.*, for fourteen years from the present date; and (c), that the Indian stamped papers contract shall likewise be extended for the same number of years beyond the date of its termination, *i.e.*, for twelve years from the present date.

As it can very shortly be disposed of, I propose to deal first with the second ground of claim. Its introduction as an argument is most unfair and calculated to mislead.

It is true that I put it to Mr. Warren *De La Rue* that it would be a great convenience to us if he would make certain alterations in the English and Indian rooms in his factory, the more especially so as the Indian rooms are, at present, so overcrowded and inconveniently arranged, as to render efficient control most difficult. I submitted to Mr. *De La Rue* certain plans, involving (as Mr. Arliss and I believed) but a small expenditure of money. To these he took objection as not properly meeting all requirements (his and mine), and he then proposed to me an alternative scheme of far greater magnitude. This I readily accepted, reminding him, however, that he must regard the expenditure involved as his own matter, and that I must decline to ask the India Office for any payment towards it. Yet, now, in face of this intimation of mine, he bases a claim upon this particular head; and in the face, too, of the further fact that I distinctly told him that, if he decided upon refusing to make alterations to meet the convenience of both Governments, I was prepared to carry on the Indian work precisely as it now stands, until the termination of the stamped papers contract, two years hence, when of course, the required alterations would be insisted upon.

The second ground of claim may, therefore, be at once dismissed; and I submit that with regard to it, Messrs. *De La Rue* be informed that, as they apparently object to make the desired alterations, the business will, for the present, be carried on as heretofore, and without any alteration affecting them.

Mr. Arliss is quite in agreement with me that, though there will be certain inconveniences, we can arrange to do this even with the reduced staff agreed upon with the India Office.

I turn now to the first ground of claim.

In the 22nd paragraph of the Report of the Joint Committee on Stamps, the inventiveness and skill displayed by Mr. Warren *De La Rue* is recognised, not only in preparing designs emanating from his own firm, but also in elaborating others, so as to illustrate the suggestions of witnesses, and as the Board's executive officer, I freely acknowledge the untiring assiduity and continuous attention that, from the sitting of the Committee to the present time, has been devoted by Mr. *De La Rue* to the work of manufacture, &c. But whilst readily doing this, I must, per contra, draw the attention of the Chairman to the following considerations, which, in their letter, have been entirely ignored by Messrs. *De La Rue*:—

1. We have arranged to pay Messrs. *De La Rue* their own prices, considerably increased ones, for the new stamps.

2. We have arranged to pay all their charges for new dies and plates.

3. Under the terms of their contract, Messrs. *De La Rue* were bound to adopt any new system of stamps that might be decided upon by the Board, upon the condition that they were paid a suitable price.

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4. It was of paramount importance to Messrs. De La Rue to show before the Committee that they were capable of producing, and that they were ready to produce, stamps of the required character, for it is to be borne in mind that Messrs. De La Rue's position with the Revenue is looked upon with much jealousy by other manufacturers. Indeed, if it had not been for my protest, made (and fairly made, as I felt in the special circumstances) in the interest of Messrs. De La Rue, one of these manufacturers would have obtained a *locus standi* before the Committee. Moreover, it was the express desire of the firm, made to me in their own interest, that none but themselves should be allowed to submit designs for, or be in any way associated in, the preparation of the new stamps.

5. The Imperial and Indian Governments pay annually to Messrs. De La Rue a sum approaching a *quarter of a million pounds sterling*, and, in order to retain a business of this magnitude with the Government of this country, I apprehend that there is no firm in Europe the partners of which would not have gladly devoted to such a work as that in point, quite as much time, energy, and capital, as has, in the present instance, been expended by Messrs. De La Rue.

In saying this, I have no wish to detract in the smallest degree (I have already acknowledged it) from all that has been freely done by Mr. Warren De La Rue, as representing his firm before the Committee and subsequently.

Having said this much, I do not hesitate to state that, supposing matters to remain as at present, I should, at the proper moment, be prepared to recommend the Board to renew, without competition, the English adhesive stamps contract at the present prices which, in my opinion, having regard to the peculiar character of the stamps, are not unreasonable. But this, of course, is coupled with the proviso that the Indian adhesive stamps contract should be upon the same lines. Messrs. De La Rue undoubtedly produce the most perfect adhesive stamps in the world. Indeed, I do not think the opposite could be fairly contended even by their bitterest opponents in the trade. This, then, being the position, and having reference to the good work done in the production of the new stamps, the Board's action in giving them a new contract without competition would, I submit, be perfectly unassailable. But, I am bound here to mention that, in my opinion, the questions of the renewal of the contract for the supply of post-cards, of envelopes, and of wrappers, should be upon an entirely different footing. I should not be prepared to recommend the Board to renew the contract for these upon anything like the present conditions. First, because I know from the information I gathered upon my visit to the Continental stamp factories, that the prices we are now paying for these particular articles are excessive, and secondly, because I know that other manufacturers being cognisant of the fact that the prices are excessive, are watching with a jealous eye the course the Board, upon the expiration of the present contract, may determine to take.

So far then for the English stamps contract. But Messrs. De La Rue further ask the Board of Indian Revenue to extend two of the Indian contracts. The pretext for this can only be based upon the second ground of claim, *i.e.*, the expense of alterations. This ground of claim, however, has been already disposed of by my abandoning the suggestion for any alteration at all at the expense of Messrs. De La Rue. To this request of Messrs. De La Rue, I submit, that the answer of the Chairman should be that the Board cannot interfere. Indeed, in the face of the letter, dated the 10th of August last, which Messrs. De La Rue received from Mr. Godley, intimating the new arrangements that were to take effect from the 1st of October last, and which practically defined the Board's position in the matter of contracts, I am at a loss to understand how they could suppose that the settlement of the Indian contracts rested with the Board. It was clearly stated to them in this letter (and I have myself personally informed Mr. Warren De La Rue to the same effect) that in the matter of contracts, the function of the Board's officer, the Controller of Stamps, was simply to act *pro hac vice* as deputy of the Director General of Stores. There was no suggestion in the scheme which I submitted to the Board, and which the Board and the Indian Office accepted, that the Inland Revenue Department should, as regards contracts, go further than this.

From the further communications that I have had with the Director General of Stores, I am, however, able to state that if Messrs. De La Rue do obtain a renewal of the stamped papers contract, expiring two years hence, it will certainly be with conditions in connection with control considerably varied, and with prices considerably reduced. I am sure, too that as regards prices, the adhesive stamps and other contracts will be dealt with similarly. But all these latter do not expire until 1890, the date upon which the English contract also expires, and it is scarcely necessary for me to point out to the Chairman the enormous advantage that would lie with both Governments to be in a position to deal with all the contracts, English and Indian, at the same time when regard is had to the fact that, under them, is involved so large a payment as 250,000 *l.* per annum.

(signed) J. S. Purcell,
13 November 1886.

Memorandum.—The Chairman had an interview with Mr. De La Rue in Mr. Purcell's room on the 25th instant., and explained to him that, so far as contracts were concerned, he

he could not, under any circumstances, entertain his application. The Chairman at the same time instructed Mr. Purcell to see the Director General of Stores as to the Indian contracts.

(signed) J. M. B.,
26 November 1886.

India Office to the Board of Inland Revenue.

India Office, Whitehall, S.W.,
3 June 1886.

Sir,

I AM directed by the Secretary of State for India in Council to inform you that his Lordship has had under his consideration in Council the system by which the supplies of stamps required by the Government of India are obtained from the manufacturers, Messrs. De La Rue.

For the control and inspection of this business a staff of 47 persons, whose names and salaries are set forth in the enclosed paper, have hitherto been in the employment of the Secretary of State.

His Lordship is aware that the stamps required by the Home Government are obtained by the Board of Inland Revenue from the same makers, and it appears to him that economy and efficiency would be promoted if the establishments now maintained at Messrs. De La Rue's by the Board of Inland Revenue and by the Secretary of State respectively, were amalgamated and placed under one management.

With this view I am instructed to ask whether the Board of Inland Revenue would be prepared to undertake, as agents for the Secretary of State in Council, the control and superintendence of all contracts between the Secretary of State and Messrs. De La Rue, taking over into their own employment so many of the existing staff of the Secretary of State as they may require for the purpose, and charging the Secretary of State annually in such manner as may be agreed upon, with all expenses which they may incur on his account in the shape of salaries, allowances, or pensions.

If this proposal should be acceptable to the Board, I am required to request that they will be good enough to consider what staff they will require for this addition to their duties, and to inform his Lordship what charge for salaries and allowances they would think it necessary to make for the supervision of the existing contracts, as to which full information will be afforded to you by the Director General of Stores.

Lord Kimberley desires me to make this request in full confidence that the Board will bear in mind the necessity for the strictest economy both in the allotment of salaries and allowances, and in the renewal of such contracts as may expire from time to time.

The Secretary, Board of Inland Revenue.

I have, &c.,
(signed) J. A. Godley.

Appendix, No. 17.

PAPER handed in by Sir S. A. Blackwood, K.C.B.

TABULAR STATEMENT showing the Alterations in the SCALES of PAY for the SORTING, COUNTER, and TELEGRAPH STAFF, consequent upon the General Re-classification of 1881.

L O N D O N.

OLD SCALES, <i>i.e.</i> , Scales in operation before June 1881.				NEW SCALES, <i>i.e.</i> , Scales in operation now.											
SORTERS :				SORTERS :											
Men :				MEN :											
1st Class Inland letters	-	26s.	$\left. \begin{smallmatrix} 1s. 6d. \\ 2s. \end{smallmatrix} \right\}$	45s.	}	1st Class Sorters	-	-	-	40s.	2s.	50s.			
2nd Class Foreign letters	-	30s.	$\left. \begin{smallmatrix} 5s. \\ \text{Triennially.} \end{smallmatrix} \right\}$	50s.		Sorters of Foreign letters receive an additional									
1st Class Inland newspapers-		26s.	$\left. \begin{smallmatrix} 1s. \\ 1s. 6d. \end{smallmatrix} \right\}$	40s.		10s. a week duty pay.									
1st Class Foreign newspapers		26s.	$\left. \begin{smallmatrix} 1s. 6d. \\ 2s. \end{smallmatrix} \right\}$	45s.											
(Amalgamated 1st and 2nd Class) East Central Office	-	21s.	$\left. \begin{smallmatrix} 1s. \\ 1s. 6d. \end{smallmatrix} \right\}$	45s.											
2nd Class	-	-	$\left. \begin{smallmatrix} 2s. \\ 1s. \end{smallmatrix} \right\}$	25s.		2nd Class	-	-	-	20s.	1s. 6d.	38s.			
						Sorters of foreign letters receive an additional 10s. a week duty pay.									
TELEGRAPHISTS AND COUNTERMEN :				TELEGRAPHISTS AND COUNTERMEN :											
Men :				Men :											
1st Class	-	-	-	100l.	5l.	130l.	1st Class	-	-	-	110l.	6l.	140l.		
2nd Class	-	-	-	70l.	5l.	90l.	}	2nd Class	-	12s.	14s.	16s.	45l.	5l.	100l.
3rd Class	-	12s.	14s.	16s.	45l.	5l.		65l.							
TELEGRAPHISTS AND COUNTERWOMEN :				TELEGRAPHISTS AND COUNTERWOMEN :											
Women :				Women :											
1st Class	-	-	-	25s.	1s. 6d.	30s.	1st Class	-	-	-	28s.	1s. 6d.	34s.		
2nd Class	-	-	-	18s.	1s. 6d.	24s.	}	2nd Class	-	-	10s.	12s.	14s.	1s.	17s.
3rd Class	-	-	8s.	12s.	14s.	1s.		17s.	then by 1s. 6d. 27s.						

CENTRAL TELEGRAPH OFFICE.

TELEGRAPHISTS :							TELEGRAPHISTS :							
Men :							Men :							
Senior -	-	-	-	140 <i>l.</i>	5 <i>l.</i>	160 <i>l.</i>	Senior	-	-	-	-	150 <i>l.</i>	8 <i>l.</i>	190 <i>l.</i>
1st Class	-	-	-	100 <i>l.</i>	5 <i>l.</i>	130 <i>l.</i>	1st Class	-	-	-	-	110 <i>l.</i>	6 <i>l.</i>	140 <i>l.</i>
2nd Class	-	-	-	70 <i>l.</i>	5 <i>l.</i>	90 <i>l.</i>	} 2nd Class	- 12 <i>s.</i>	14 <i>s.</i>	16 <i>s.</i>		45 <i>l.</i>	5 <i>l.</i>	100 <i>l.</i>
3rd Class	- 12 <i>s.</i>	14 <i>s.</i>	16 <i>s.</i>	45 <i>l.</i>	5 <i>l.</i>	65 <i>l.</i>								
Women :							Women :							
1st Class	-	-	-	25 <i>s.</i>	1 <i>s.</i> 6 <i>d.</i>	30 <i>s.</i>	1st Class	-	-	-	-	28 <i>s.</i>	1 <i>s.</i> 6 <i>d.</i>	34 <i>s.</i>
2nd Class	-	-	-	18 <i>s.</i>	1 <i>s.</i> 6 <i>d.</i>	24 <i>s.</i>	2nd Class	-	-	10 <i>s.</i>	12 <i>s.</i>	14 <i>s.</i>	1 <i>s.</i>	17 <i>s.</i>
3rd Class	-	-	8 <i>s.</i> 12 <i>s.</i>	14 <i>s.</i>	1 <i>s.</i>	17 <i>s.</i>						then by	1 <i>s.</i> 6 <i>d.</i>	27 <i>s.</i>

30 April 1888.

TABULAR STATEMENT showing the Alterations in the Scales of Pay for the Sorting, Counter, and Telegraph Staff, consequent upon the General Re-classification of 1881—*continued*.

PROVINCES.

OLD SCALES, <i>i.e.</i> , Scales in operation before June 1881.				NEW SCALES, <i>i.e.</i> , Scales in operation now.			
SORTING CLERKS:				SORTING CLERKS AND TELEGRAPHISTS.			
Men:				Men:			
<i>At Offices with 4 Classes.</i>				<i>At Offices of the 1st Grade.</i>			
1st Class	-	-	37s. 2s. 44s.	1st Class	-	-	40s. 2s. 50s. a week.
2nd Class	-	-	29s. 2s. 36s.	2nd Class	12s. 14s. 16s. 1s. 6d. 38s.		a week.
3rd Class	-	-	23s. 1s. 6d. 28s.	<i>At Offices of the 2nd Grade.</i>			
4th Class	-	-	18s. 1s. 22s.	12s. 14s. 16s. 1s. 6d. 38s.			a week.
<i>At Offices with 2 Classes.</i>				<i>At Offices of the 3rd Grade.</i>			
1st Class	-	-	27s. 1s. 6d. 35s.	12s. 14s. 16s. 1s. 6d. 36s.			a week.
2nd Class	-	-	18s. 1s. 6d. 25s.	<i>At Offices of the 4th Grade.</i>			
			or 20s. 1s. 6d. 26s.	12s. 14s. 16s. 1s. 6d. 33s.			a week.
			or 20s. 1s. 27s.	<i>At Offices of the 5th Grade.</i>			
1st Class	-	-	26s. 1s. 6d. 33s.	12s. 14s. 16s. 1s. 6d. 30s.			a week.
2nd Class	-	-	20s. 1s. 25s.				
			or 18s. 1s. 6d. 25s.				
<i>At Offices with 1 Class.</i>							
			20s. 1s. 24s., then 1s. 6d. 33s.				
			or 18s. „ 1s. 6d. 33s.				
			one or more Clerks rising to 35s. or 36s. a week.				
			or 20s. 1s. 30s.				
			or 18s. 1s. 6d. 30s.				
			one or more Clerks rising to 33s. a week.				
			Or in the case of a few Offices in Ireland and Scotland,				
			16s. 1s. 26s.				
			or 18s. 1s. 28s.				
TELEGRAPHISTS:				SORTING CLERKS AND TELEGRAPHISTS.			
Men:				Women:			
<i>At Offices with 3 Classes.</i>				<i>At Offices of the 1st Grade.</i>			
1st Class	-	-	36s. 2s. 44s.	1st Class	-	-	27s. 1s. 6d. 32s.
2nd Class	-	-	28s. 1s. 6d. 35s.	2nd Class	10s. 12s. 1s. 17s. 1s. 6d. 26s.		
3rd Class	-	12s. 14s. 16s. 1s. 6d. 27s.		<i>At Offices of the 2nd Grade.</i>			
<i>At Offices with 2 Classes.</i>				10s. 12s. 1s. 17s. 1s. 6d. 26s.			
1st Class	-	-	28s. 1s. 6d. 35s.	<i>At Offices of the 3rd Grade.</i>			
2nd Class	usually	12s. 14s. 16s. 1s. 6d. 27s.		10s. 12s. 1s. 17s. 1s. 6d. 26s.			
			or	<i>At Offices of the 4th Grade.</i>			
1st Class	-	-	22s. 1s. 27s.	10s. 12s. 1s. 17s. 1s. 6d. 24s.			
2nd Class	-	-	14s. 1s. 21s.	<i>At Offices of the 5th Grade.</i>			
<i>At Offices with 1 Class.</i>				12s. 14s. 16s. 1s. 6d. 30s.			
			12s. 14s. 16s. 1s. 6d. 27s.				
			or 14s. 1s. 21s.				
			or 16s. 1s. 20s.				
TELEGRAPHISTS:							
Women:							
1st Class	-	-	22s. 1s. 27s.				
2nd Class	-	-	10s. 12s. 1s. 27s.				

TABULAR STATEMENT, showing the Alterations in the Scales of PAY for TOWN POSTMEN, consequent upon the General Re-classification in 1882.

LONDON.

TOWN POSTMEN.

OLD SCALES.				NEW SCALES.			
Full Postmen :				1st Class - - 24s. { After 2 years by } 32s.			
Under 3 years	-	-	- 23s.				
Above 3 years and under 6	-	-	25s.				
Above 6 years and under 9	-	-	27s.				
Above 9 years and under 12	-	-	29s.				
Above 12 years	-	-	30s.				
Junior Postmen :				2nd Class - - 16s. { Annually } 23s.			
Upper Section	-	-	18s. 1s. 21s.				
Lower Section	-	-	14s. 1s. 18s.				

SUBURBAN POSTMEN.

Head Postmen - - - 28s. 1s. 34s.				Head Postman - 30s. { After 2 years } 36s.			
Full Postmen :				Full Postmen :			
Division I.				Division I.			
Under 3 years	-	-	22s.	1st Class - 23s. { After 2 years } 30s.			
Above 3 years and under 6	-	-	24s.				
Above 6 years and under 9	-	-	26s.				
Above 9 years	-	-	28s.	2nd Class - - - 17s. 1s. 22s.			
Junior Postmen - - - 17s. 1s. 20s.				Full Postmen :			
Full Postmen :				Division II.			
Division II.				1st Class - 22s. { After 2 years by } 28s.			
Under 3 years	-	-	21s.				
Above 3 years and under 6	-	-	23s.				
Above 6 years and under 9	-	-	25s.	2nd Class - - - 17s. 1s. 21s.			
Above 9 years	-	-	27s.				
Junior Postmen - - - 17s. 1s. 20s.				Full Postmen, Division III. 18s. { Annually } 24s.			
Full Postmen - - Divison III. - 18s. 1s. 23s.							

TABULAR STATEMENT showing the ALTERATIONS in the SCALES of PAY for TOWN POSTMEN, consequent upon the General Re-classification in 1882.

PROVINCES.

OLD SCALES, i.e., Scales in operation before 1882.				NEW SCALES, i. e., Scales in operation now.			
		18s.	1s.	24s.	(1.)	{ 1st Class - - - - 22s.	1s. 28s.
After 10 years - - -		-	-	20s.		{ 2nd Class - - - - 18s.	1s. 21s.
Extra allowance - - -		-	-	2s.			
		18s.	1s.	23s.			
After 10 years - - -		-	-	25s.	(2.)	{ 1st Class - - - - 22s.	1s. 26.
		18s.	1s.	23s.		{ 2nd Class - - - - 18s.	1s. 21s.
		18s.	1s.	22s.			
(5.) - - - - -		18s.	1s.	21s.			
		18s.	1s.	20s.			
		18s.	6d.	20s.			
		17s.	1s.	22s.	(3.) - - - - -	-	18s. 1s. 24s.
		17s.	1s.	21s.			
(10.) - - - - -		17s.	1s.	20s.			
		16s.	1s.	22s.	(4.) - - - - -	-	18s. 1s. 12s.
		16s.	1s.	21s.			
		16s.	1s.	20s.			
		16s.	1s.	18s.			
(15.) - - - - -		16s.	6d.	18s.	(5.) - - - - -	-	16s. 1s. 20s.
		15s.	6d.	17s.			
		14s.	1s.	20s.			
		14s.	1s.	18s.			
		14s.	6d.	18s.	(6.) - - - - -	-	11s. 1s. 18s.
(20.) - - - - -		14s.	1s.	16s.			
		14s.	6d.	16s.			
		13s.	6d.	17s.	(7.) - - - - -	-	12s. 1s. 16s.
		12s.	1s.	16s.			
		12s.	6d.	16s.			
(25.) - - - - -		11s.	6d.	15s.			
		11s.	6d.	14s.			
		10s.	6d.	14s.			

In 1882, in addition to the improvement of scales, good-conduct stripes, which had been confined to London, were extended to all parts of the Kingdom. Each of these good-conduct stripes carries with it an allowance of 1 s. a week, and no man can hold more than three.

30 April 1888.

Appendix, No. 18.

PAPER handed in by Sir *Algernon West*, K.C.B., 11 May 1888.

ESTIMATE for the SALARIES, &c., of the INLAND REVENUE DEPARTMENT for the Year 1888-9.

Inland Revenue, Somerset House,
27 December, 1887.

May it please your Lordships,
In obedience to your Lordships' circular letter of the 1st October last, we beg to transmit herewith our Estimate for the salaries and expenses of the Inland Revenue Department, imperatively required for the year 1888-9, together with the accompanying statement of actual expenditure in preceding years, and explanations of increases and decreases under each Sub-head.

It will be seen that the total Estimate for 1888-9 shows an increase of 43,750 *l.* over that for the current year; but this increase is more than accounted for by the fact that the coming year is the year for the triennial new valuation of property, under Schedules A and B of the Income Tax, outside the metropolitan area.

The additional cost necessitated on this score is 44,100 *l.*, made up as follows:

			£.
Sub-head A.	-	-	2,000
„ E.	-	-	27,000
„ K.	-	-	600
„ N.	-	-	14,500
			<hr/>
			£. 44,100

In reality the total Estimate of this Department for a year of new valuation should never be compared with that of the preceding year, to which it bears no relation, but with that of the last year in which a new valuation had to be provided for, which in this case is 1885-6.

Over the necessary automatic increase every third year which a new valuation involves, neither we nor your Lordships have any control; but we may remark that experience shows that the triennial new valuation of property usually brings in additional tax to the extent of 80,000 *l.* to 100,000 *l.* a year.

Setting aside this statutory and productive expenditure, our Estimates show a decrease on those of the current year of 350 *l.* But in order to test economical administration by reference to the Estimates, it is necessary to remember the changes and reforms which, during the present year, we have been enabled to effect throughout this large Department, without adding a single penny to the burdens of the taxpayer.

We have re-organised our vast Excise outdoor service, and by re-arranging the areas of survey, and reducing the number of officers, we have very substantially improved the salaries of the surveying officers; we have added six new and additional tax surveyors' districts to meet the increase of work caused by the growth of population, and we have re-organised our indoor departments by reducing the number of clerks, and working those remaining for an additional hour with increased pay.

It has, of course, not been possible to make these reforms and these large reductions in the numbers of the effective staff without making a temporary increase in the non-effective Vote for Pensions.

The total non-effective Estimate for 1888-9 for this Department is 234,044 *l.*, being an increase on that for 1887-8 of 19,869 *l.*; but in considering this Estimate it is necessary to analyse the new pensions.

	£.
For ordinary Superannuation Allowances to officers over 60 years of age, the increase is in the indoor department	- - - - 2,675
And in the Excise out-door service	- - - - 11,132
	<hr/>
	£. 13,807

All these pensions were fully earned by age and service, and were claimable by their recipients; and their being claimed this year in such great numbers undoubtedly anticipates to a considerable degree the normal provision for new pensions for some time to come, and the net sum required in future may be expected for some years to show a considerable decline.

The Compensation Allowances on abolition or reduction of office, mainly in connection with the introduction of seven hours' work in the indoor departments, amount to 10,823 *l.*,
the

the greater part of which had, of course, been earned by service, but would not have been claimable so soon as next year if we had not decided to reduce the number of our clerks and officers and to work those remaining harder than before.

Against this temporary increase on account of pensions, we can set a more than counter-vailing decrease in the expenses of the effective service. By economy and improved administration, we have made sensible reductions in the costs for travelling (Sub-head B.) and salaries to stamp distributors (Sub-head C.), but the principal saving is effected in the general estimate for the salaries, wages, &c. (Sub-head A.).

When it is seen that this Sub-head shows (apart from the 2,000 *l.* necessitated by the new valuation) a decrease of 16,407 *l.*, and when it is remembered that the effective staff has been reduced by upwards of 200, *i.e.*, there are 200 fewer pensions now being earned, and that with these reductions greater efficiency has been secured and better pay granted to most of the effective staff, and when it is borne in mind that these economies have enabled us to provide out of savings for no less than 13,807 *l.* of pensions, which had been fully earned and were claimable at will, we think our policy in the administration of this department is amply vindicated.

The increase to the Pension List is temporary, and will gradually diminish as the pensions die out; but it is a permanent gain to public economy that the work of this great Department should be so organized as to be more efficiently performed than it was before by an establishment which has been reduced in numbers by more than 200 persons, and at a cost of salaries for this year of 18,407 *l.* less than before.

We have, &c.,
(signed) *Algernon West.*
Iddesleigh.

The Lords Commissioners of
Her Majesty's Treasury.

LETTER from the Secretary to the Treasury acknowledging the above.

Treasury Chambers,
2 March 1888.

My Lord and Gentlemen,

THE Lords Commissioners of Her Majesty's Treasury have had before them the Estimates for the Inland Revenue Service for the year 1888-9.

The Estimates appear to have been drawn with great care, and my Lords are able to accept them as submitted. They have already had occasion in former years to acknowledge the satisfactory results, both as regards the expense and the efficiency of the Department, which have been produced by the various measures of re-organization which you have from time to time submitted for their Lordships' consideration, and they note that in these Estimates the effect of those measures is shown by a further reduction of the permanent expense of the Service.

The Estimate is approved at a total of one million eight hundred and seven thousand six hundred and twenty-nine pounds.

I am, &c.
(signed) *W. L. Jackson.*

Appendix, No. 19.

PAPERS handed in by the *Chairman*.*Mrs. M. G. Fawcett to Mr. Stansfeld.*

Dear Mr. Stansfeld,

2, Gower-street, 16 May 1888.

IN reply to the questions which you have been good enough to address to me, I have much pleasure in stating that:—

1. My attention has been called to the Minutes of Evidence given to the Select Committee over which you are presiding, and especially to that part of the evidence given on April 17th and 20th, bearing on the increase of the proportion of expenditure to revenue in the General Post Office during and since the time when my husband was Postmaster General.

2. I am able to state positively from my own knowledge that Mr. Fawcett, in proposing to the Treasury an increase in the salaries of certain classes of Post Office employes, was not acting on preconceived views of his own, but upon a careful consideration of claims laid before him. Mr. Fawcett had not been many months at the Post Office before he was aware of the existence of a widespread feeling of dissatisfaction amongst the telegraphists and sorting clerks. Memorials were presented to him urging that the pay of these classes of employes was quite inadequate to the duties they had to perform; and the same views found constant expression in the House of Commons. The alleged grievances were examined at a conference of Post Office surveyors, who unanimously came to the conclusion that substantial grievances calling for remedy existed. Under these circumstances Mr. Fawcett thought it prudent as well as just to investigate the claims put before him, and to compare the rates of pay received at that time by Post Office employes with those received by men and women performing similar services in other employment. The result was to show, in Mr. Fawcett's opinion, that many of the employes of the Department were underpaid, and he, in consequence, after careful consideration and consultation with the permanent officials of the General Post Office, recommended to the Treasury the adoption of the revised scales of pay which have subsequently been in force.

3. The grounds upon which Mr. Fawcett's proposals were made and accepted have been incidentally referred to in my answer to the second question. They were, in brief, the very serious amount of dissatisfaction in the service, coupled with the fact that the surveyors and other permanent officers of the Department were of the opinion that the dissatisfaction arose from real grievances. The grounds upon which Mr. Fawcett's recommendations were based, and the reasons why they were accepted by the Treasury, are more fully stated in the Parliamentary Paper (No. 286) laid before the House of Commons in June 1881. I think a perusal of the correspondence in this Paper between the Postmaster General and the Secretary to the Treasury makes it abundantly clear that the increased expenditure which has resulted was brought about, not in consequence of the private views entertained by my husband, but in consequence of concessions made by the Government to a widespread, and, in the main, just, feeling of dissatisfaction amongst the rank and file of the Post Office service.

At the same time it is fair to add that Mr. Fawcett never believed it to be his duty to get the work of the Department done at the very lowest rate at which it would have been possible to engage people to do it. He felt that the interests of the service and of the public alike demanded that the conditions of employment in the General Post Office should be, not indeed in advance of the conditions of employment in well-managed private businesses, but that they should be fully equal to them; while the advantages offered by the steadiness and regularity of Government employment would, he felt, be enough to give the Department the choice, as it were, of the *élite* of all those seeking employment. The great amount of property daily passing through the hands of Post Office servants renders it unnecessary to point out how important it is that the Department should have the choice of the best, instead of being reduced to take the worst, of the many hundreds who are constantly seeking employment.

Mr. Fawcett greatly admired the splendid devotion often shown by Post Office servants to their work, and he believed that the fine *esprit de corps* in the whole service would probably never have been elicited if the men and women engaged in the work had not found the Government gave them conditions of employment fully equal to those offered to their employes by the leading private firms of this country.

In conclusion, I will only add that I am confident that in what I have said I have accurately described the views of my husband, and the circumstances under which he made the application which was sanctioned by the Treasury.

I am, &c.

(signed) *Millicent Garrett Fawcett.*

The Right Hon. James Stansfeld, M.P.

COPY of a REPORT from the Postmaster General to the Treasury, dated the 13th day of June 1881, proposing certain Improvements in the PAY and REGULATIONS of the SORTING CLERKS, and of the TELEGRAPHISTS of the POST OFFICE; and of the TREASURY REPLY thereto, dated the 16th day of June 1881

REPORT from the Postmaster General to the Treasury.

My Lords,

General Post Office, 13 June 1881.

It is my duty to lay before your Lordships certain measures which I consider necessary for improving the pay and the general position of the telegraphists and the sorting clerks employed in the service of the Post Office, both in London and the country.

As you are no doubt aware, widespread discontent has for some time past manifested itself in the Telegraph Service, and although the postal staff have, to their credit, refrained from associating themselves with any public demonstration of dissatisfaction, the numerous memorials which have reached me are evidence of the existence among them of a similar state of feeling.

The principal complaints from both branches of the service are,—

- (1.) Inadequacy of pay, arising to some extent from stagnation in promotion.
- (2.) The excessive amount of overtime, the small rate of pay allowed for it, and the severity of night duty.
- (3.) The insufficiency of the amount of yearly holiday.
- (4.) The deductions made from pay during absence from sickness.
- (5.) The absence, in the case of the provincial staff, of extra payment, as made partially in London, for work performed on Sundays, and, as regards the telegraphists at the Central Office, for work performed on Christmas Day and Good Friday.

The male telegraph staff have indeed laid great stress upon a claim which they suppose themselves on legal grounds to possess, to be paid in conformity with what is generally known as the Playfair Scale of Salary, Lower Division.

This claim they base upon the section of the "Telegraph Act of 1868" which provides that clerks transferred from the companies should be deemed to be, to all intents and purposes, clerks in the permanent Civil Service of the Crown, and should be entitled to the same but no other privileges.

Now, whatever may be the privileges contemplated in this section, it is perfectly clear that any specific rate of salary cannot be one of them, the rates which the clerks in the Civil Service receive being of every variety.

Moreover, Clause III. of the Order in Council of 1876, which established what is called the Playfair Lower Division of Clerks, on scale of 80 *l.*, rising by 15 *l.* triennially to 200 *l.* a year, expressly declares, as your Lordships are aware, that such situations in Her Majesty's Civil Service as are not suitable to be filled up by members of the Lower Division are excluded from the Order, and shall, until Her Majesty's further pleasure is declared, be regulated as they were before the date of the Order, by the heads of the departments to which they belong, subject to approval by the Treasury, and conformably to Her Majesty's Orders applicable to them.

What the scale of pay shall be for this or that class of clerks was and remains a matter exclusively for your Lordships' decision.

For several months past I have been collecting information from all sources, not only as to the alleged grievances of the staff, but as to the conditions of service and rates of pay of persons in private employment whose duties seem most nearly to correspond to theirs.

The whole question has been examined at a conference of the Post Office surveyors, who have unanimously come to the conclusion that substantial grievances calling for remedy exist, and who put forward proposals for that object.

I have most carefully considered all the evidence which has been obtained, including the statement made to me by the representatives of the telegraphists at a lengthened interview, and other statements subsequently submitted by them in writing.

I have also on several occasions discussed the whole question with many of the practical officers of the Department; and it is evident to me that, while no such comparatively high rate of pay as that afforded by the Playfair Scale, Lower Division, is warranted, the time has come when some general improvement must be made in the position and prospects of the telegraphists and sorting clerks.

The measures which, in my judgment, are necessary in order to remove all well-founded grievances, and to place these branches of the service in all respects upon a satisfactory footing, are as follows, viz.:—

1. That a simpler classification be adopted, based upon the intelligible principle of paying for work solely according to its quality; that, accordingly, such improved classification

tation be effected by substituting for the present very numerous scales and classes for telegraphists and sorting clerks, five scales applicable to the male staff and five applicable to the female staff.

The first scale would be paid where duties of the highest quality have to be performed; the number of places in the class carrying the scale being regulated strictly in accordance with the aggregate number of such duties, and promotion to it being determined invariably by the selection of the best qualified.

Duties of high quality, but not of the highest quality, would be paid for at the second scale, while duties of lower quality would be paid for at the third, fourth, or fifth scales, according to their degree.

The new classification will affect promotion as well as present pay; for it is obvious that, the more numerous are the classes, the more numerous also are the chances of being stopped in each class by the want of vacancies in the one next above it; whereas, in a single enlarged class there is no stoppage between its minimum and maximum.

Annexed are schedules marked "A" and "B;" showing the present and proposed arrangement of scales both in the provinces generally and in London.

2. That adjustments be made, where necessary, of the pay of officers, such as superintendents and assistant superintendents, ranking above the general body of telegraphists and sorting clerks, with due regard to the higher rates of pay proposed to be given to the staff below them.

3. That all future intrants into the service, whether intended ultimately to be telegraph or sorting clerks, including under the latter designation sorters, be instructed in the elementary work of both branches; so that, in case of emergency in either branch, additional help may be obtained from the other.

4. That, so far as may prove advantageous to the service, a plan already in operation at several offices of amalgamating the postal and telegraph staff be extended.

5. That the period of ordinary attendance, both for telegraphists and sorting clerks, be reduced from eight to seven hours; already recognised at several offices as the proper amount of night attendance for the postal staff.

6. That payment for ordinary overtime work at provincial offices, whether of telegraphists or sorting clerks, be in the case of male officers at the rate of one-fiftieth part of a week's pay per hour; and in the case of female officers (who as a rule are not called upon to do more than 48 hours' work per week) at the rate of one-forty-eighth part of a week's pay. That when the overtime work at any given office on a single occasion exceeds three hours, the rate of pay for such excess shall be one-quarter higher than the ordinary rate. As a rule, the 16 hours, which form an officer's work for two days, shall be so divided as to avoid giving him more than 11 hours' work on either day; when an occasional exception is necessary, all excess beyond 11 hours on any one day shall be paid for as overtime, although the two days' work in the aggregate may not exceed 16 hours.

7. That payment, as for overtime work, be given for all Sunday work performed by the indoor staff, whether telegraph or postal, which, in a month of four Sundays, may be in excess of eight hours; i.e., an average of two hours per Sunday.

8. That payment, as for overtime work, be given for all work done on Christmas Day and Good Friday, whether by the indoor staff or outdoor staff, and telegraph as well as postal.

9. That the allowances to telegraphists for subsistence when absent from head-quarters on official business be assimilated to the corresponding allowances for the postal staff, which are at a somewhat higher rate.

I do not include in the present letter any detail of the changes necessary to be made in the classification and scales of pay for the sorting force in London; but memorials from members of that force have been received, and it will be obvious that they cannot be excluded from any improvement of position which may be conceded to the telegraphists and provincial sorting clerks. Accordingly, the estimate of cost, given in the present letter, provides approximately for the sorting force in London as well as for others.

At the interview the telegraphists had with me great stress was laid on the fact that at one office they received a larger proportion of their pay when absent, ill, than they did at another. Until nine years ago, except at two or three offices where a special regulation existed, a sorter or sorting clerk, during absence from illness, received only the difference, if any, between his own pay and the pay of his substitute, and if there was no difference he received nothing at all. A regulation was then established to the effect that such officers throughout the kingdom, when absent, ill, were to receive half-pay. If he belonged to one of the two or three offices where a special regulation existed, he was to reap the advantages of that regulation still; and if, out of his pay, after payment of his substitute, a difference of more than one-half remained, he was to receive the difference. But in all other cases whatsoever the allowance during absence from illness was to be half-pay.

This regulation at the time it was established was accepted as a great boon, and I am not prepared to extend it.

As

As regards the question of annual leave of absence, I am now considering a scheme the effect of which, I hope, may be to give one month's leave in the course of the year to many who now have only three weeks, and to give three weeks to many who now have only a fortnight.

Should your Lordships approve of the several measures proposed, arrangements can be adopted without delay for giving effect to those relating to payment for overtime work, to work done on Sundays, Good Friday, and Christmas Day, and subsistence allowances; but a considerable time must necessarily elapse before the new scheme of classification and scales of pay can be applied definitely to every office.

I recommend that a common date be fixed for giving effect to the readjustment of each such establishment, so that all officers may be treated alike, and I think it advisable that the date thus to be fixed should be the commencement of the present financial year, viz., the 1st of April last. Under such an arrangement every officer benefiting by the measure would receive at once the difference between his present pay and that yielded by the readjustment of the establishment of his office, for the period elapsing between the 1st of April and the date of the authority for readjustment.

As is shown in the annexed tabular statement marked (C.), the following is the estimated approximate cost according to the usual method of computation:—

- 1st. Of applying the proposed new classification and scales of pay;
- 2nd. Of effecting the proposed reduction in the amount of night attendance of the postal and telegraph staff;
- 3rd. Of making payment for overtime work at the proposed rates; and
- 4th. Of the proposed payment for Sunday work, in excess of an average of two hours, and for all work on Good Friday and Christmas Day.

POSTAL.

					£.
At the Minimum of the Scales	-	-	-	-	30,607
„ Mean	-	„	-	-	60,844
„ Maximum	„	-	-	-	91,081

TELEGRAPHS.

					£.
At the Minimum of the Scales	-	-	-	-	36,727
„ Mean	-	„	-	-	91,027
„ Maximum	„	-	-	-	140,332

TOTAL.

					£.
At the Minimum of the Scales	-	-	-	-	67,334
„ Mean	-	„	-	-	151,871
„ Maximum	„	-	-	-	231,413

The immediate increase of expense would be about sixty-seven thousand eight hundred and eighty-three pounds (67,883 l.) a year, viz., 29,481 l. on Postal, and 38,402 l. on Telegraph Account.

I cannot, of course, but admit that the recommendation which I make involves a serious increase of expenditure.

The expenditure, however, must necessarily be large which is designed to improve the condition of so large a body of public servants as those whose case is now under examination, numbering in all more than 10,000; and, feeling convinced that the rates of pay which I propose are not more than sufficient to afford just and reasonable remuneration to those on whose efficiency and contented service so much of the interests and convenience of the community depend, I confidently submit the scheme for your Lordships' approval.

I shall have subsequently to ask your authority, either in the shape of schedules, or in some other convenient form, for the details of an adjusted establishment for each office upon the lines of the present scheme.

I have, &c.
(signed) *Henry Fawcett.*

The Lords Commissioners of the Treasury.

(A.)

PRESENT SCALES of Weekly Wages for PROVINCIAL MALE TELEGRAPHISTS.

At Offices with Three Classes :

1st Class	-	-	-	-	36s. by 2s.	to 44s.
2nd „	-	-	-	-	28s. by 1s. 6d.	to 35s.
3rd „	-	-	-	-	12s., 14s., 16s. by 1s. 6d.	to 27s.

At Offices with Two Classes :

1st Class	-	-	-	-	28s. by 1s. 6d.	to 35s.
2nd „	-	(usually)	12s., 14s., 16s.	by 1s. 6d.	to 27s.	
Or, 1st „	-	-	-	-	22s. by 1s.	to 27s.
2nd „	-	-	-	-	14s. by 1s.	to 21s.

At Offices with One Class :

12s., 14s., 16s. by 1s. 6d.	to 27s.
Or, 14s. by 1s.	to 21s.
Or, 16s. by 1s.	to 20s.

Note.—These two latter scales are being gradually superseded by the scale, 12s., 14s., 16s. by 1s. 6d. to 27s. a week.

PRESENT SCALES of Weekly Wages for PROVINCIAL FEMALE TELEGRAPHISTS.

At the larger offices, where female telegraphists are employed, they are formed into two classes the scale for the higher class rising from 22s. by 1s. to 27s. a week, and for the lower class, from 10s., 12s., by 1s. to 21s. a week. Elsewhere female telegraphists are on one class, rising from 10s., 12s. by 1s. to 21s. a week.

PRESENT SCALES of Weekly Wages for PROVINCIAL SORTING CLERKS.

At Offices with Four Classes :

1st Class	-	-	-	-	37s. by 2s.	to 44s.
2nd „	-	-	-	-	29s. by 2s.	to 36s.
3rd „	-	-	-	-	23s. by 1s. 6d.	to 28s.
*4th „	-	-	-	-	18s. by 1s.	to 22s.

*This is a small class of youths, and it is not intended that any officer should ever remain long in this class after reaching the maximum.

At Offices with Two Classes :

1st Class	-	-	-	-	27s. by 1s. 6d.	to 35s.
2nd „	-	-	-	-	18s. by 1s. 6d.	to 25s.
Or, 2nd „	-	-	-	-	20s. by 1s. 6d.	to 28s.
Or, 2nd „	-	-	-	-	20s. by 1s.	to 27s.
Or, 1st „	-	-	-	-	26s. by 1s. 6d.	to 33s.
2nd „	-	-	-	-	20s. by 1s.	to 25s.
Or, 2nd „	-	-	-	-	18s. by 1s. 6d.	to 25s.

At Offices with One Class:

20s. by 1s. to 24s., then 1s. 6d. to 33s. } One or more clerks rising to
Or, 18s., then 1s. 6d. to 33s. } 35s. or 36s. a week.

Or, 20s. by 1s. to 30s. } One or more clerks rising to 33s. a week.
Or, 18s. by 1s. 6d. to 30s. }

Or, in the case of a few offices in Ireland and } 16s. by 1s. to 26s.
Scotland - - - - - } Or, 18s. by 1s. to 28s.

Note.—The last-mentioned scales are being gradually replaced by one rising to 30s. a week.

PROPOSED SCHEME of Classification for TELEGRAPHISTS and SORTING CLERKS at
PROVINCIAL POST OFFICES.

FOR MEN.

1st Class	-	-	-	-	40s. by 2s.	to 50s. a week.
2nd „	-	-	-	-	12s., 14s., 16s. by 1s. 6d.	to 38s. „
3rd „	-	-	-	-	12s., 14s., 16s. by 1s. 6d.	to 36s. „
4th „	-	-	-	-	12s., 14s., 16s. by 1s. 6d.	to 33s. „
5th „	-	-	-	-	12s., 14s., 16s. by 1s. 6d.	to 30s. „

FOR WOMEN.

1st Class	-	-	-	-	27s. by 1s. 6d.	to 32s.
2nd „	-	-	-	-	10s., 12s. by 1s.	to 17s., then by 1s. 6d. to 20s. a week.
3rd „	-	-	-	-	10s., 12s. by 1s.	to 17s., then by 1s. 6d. to 25s. „
4th „	-	-	-	-	10s., 12s. by 1s.	to 17s., then by 1s. 6d. to 24s. „
5th „	-	-	-	-	10s., 12s. by 1s.	to 17s., then by 1s. 6d. to 23s. „

Note.—At offices at which supervising duties devolve on clerks below the 1st Class, allowances ranging from 2s. to 5s. a week to be granted where necessary.

(B.)

CENTRAL TELEGRAPH OFFICE.

MALE TELEGRAPHISTS.

PRESENT.				PROPOSED.			
Senior	-	-	140 <i>l.</i> by 5 <i>l.</i> to 160 <i>l.</i> a-year	Senior	-	-	150 <i>l.</i> by 8 <i>l.</i> to 190 <i>l.</i> a-year.
1st Class	-	-	100 <i>l.</i> by 5 <i>l.</i> to 130 <i>l.</i> a-year	1st Class	-	-	110 <i>l.</i> by 6 <i>l.</i> to 140 <i>l.</i> a-year.
2nd Class	-	-	70 <i>l.</i> by 5 <i>l.</i> to 90 <i>l.</i> a-year	}	2nd Class, 12 <i>s.</i> , 14 <i>s.</i> , 16 <i>s.</i> ; 45 <i>l.</i> by 5 <i>l.</i> to 100 <i>l.</i> a-year.		
3rd Class, 12 <i>s.</i> , 14 <i>s.</i> , 16 <i>s.</i> ; 45 <i>l.</i> by 5 <i>l.</i> to 65 <i>l.</i> a-year							

FEMALE TELEGRAPHISTS.

1st Class	-	-	25 s. by 1 s. 6 d. to 30 s. a-week	1st Class	-	-	28 s. by 1 s. 6 d. to 34 s. a-week.
2nd Class	-	-	18 s. by 1 s. 6 d. to 24 s. a-week	}	2nd Class, 10s., 12s., 14s. by 1 s. to 17 s. a-week,		then by 1 s. 6 d. to 27 s. a-week.
3rd Class	-	8 s., 12 s., 14 s. by 1 s.	to 17 s. a-week				

METROPOLITAN DISTRICT.

MALE TELEGRAPHISTS.

PRESENT.				PROPOSED.			
1st Class	-	-	100 l. by 5 l. to 130 l. a-year	1st Class	-	-	110 l. by 6 l. to 140 l. a-year.
2nd Class	-	-	70 l. by 5 l. to 90 l. a-year	}	2nd Class, 12s., 14s., 16s.; 45 l. by 5 l. to 100 l. a-year.		
3rd Class, 12s., 14s., 16s.; 45 l. by 5 l. to 65 l. a-year							

FEMALE TELEGRAPHISTS.

1st Class	-	-	25 s. by 1 s. 6 d. to 30 s. a-week	}	1st Class	-	-	28 s. by 1 s. 6 d. to 34 s. a-week.
2nd Class	-	-	18 s. by 1 s. 6 d. to 24 s. a-week		2nd Class, 10s., 12s., 14s. by 1 s. to 17 s. a-week,			
3rd Class	-	8 s., 12 s., 14 s. by 1 s.	to 17 s. a-week		then by 1 s. 6 d. to 27 s. a-week.			

(C.)

APPROXIMATE ESTIMATE of Increase of COST of Proposed New Classification and Scales of Wages for TELEGRAPHISTS and POSTAL CLERKS, and of the other Proposed Measures for Improving their Position.

	POSTAL ACCOUNT.				TELEGRAPH ACCOUNT.				TOTAL POSTAL AND TELEGRAPH ACCOUNT.			
	Minimum.	Mean.	Maximum.	Immediate.	Minimum.	Mean.	Maximum.	Immediate.	Minimum.	Mean.	Maximum.	Immediate.
	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.
Cost of New Classification and Scales of Wages - - -	15,301	43,598	75,775	14,175	27,849	82,149	131,154	29,524	43,150	127,087	207,329	43,699
Cost of Reduction of Night Attendance of staff to seven hours	2,081	2,081	2,081	2,081	7,094	7,094	7,094	7,094	9,175	9,175	9,175	9,175
Cost of paying for ordinary Overtime at proposed rates -	648	648	648	648	834	834	834	834	1,482	1,482	1,482	1,482
Cost of paying as "Overtime" all work done on Sundays in excess of an average of two hours per Sunday - - -	8,424	8,424	8,424	8,424	300	300	300	300	8,724	8,724	8,724	8,724
Cost of paying as "Overtime" for all work done on Christmas Day and Good Friday, including work done by Letter Carriers - - -	4,153	4,153	4,153	4,153	650	650	650	650	4,803	4,803	4,803	4,803
TOTAL - - £.	30,507	60,844	91,081	29,481	36,727	91,027	140,332	38,402	67,324	151,371	231,413	67,882

3 June 1881.

The Secretary to the Treasury to the Postmaster General.

Sir,

Treasury Chambers, 16 June 1881.

IN reply to your letter of the 13th instant, following several personal conferences between yourself and representatives of the Treasury, with the assistance of officers from your own Department, I am directed by my Lords to state that they accept the proposals which you submit to them in that letter for improving the pay and general position of the telegraphists and the sorting clerks employed in the service of the Post Office in London and in the country, with the understanding that effect is to be given to the new classification and to the new scale of wages from the 1st of April 1881, as far as they can, with due consideration, be applied to the several offices. These proposals include:—

I. A new classification and scale of wages, which is to be uniform for the postal staff of the sorting branch and for the telegraphists, involving an increase immediate charge of nearly 44,000*l.*, and an increased average charge of 128,000*l.* per annum, as soon as the new rates advance to their normal limits.

II. The cost of the reduction of night attendance to seven hours, involving an increase of more than 9,000*l.* per annum.

III. Improvements in the rate of payment for overtime, and particularly in respect of allowing it on Sundays, Christmas Day, and Good Friday, involving an increase of more than 15,000*l.* per annum.

The joint effect, therefore, of these measures is, to increase the cost of the postal and telegraph service at once by 67,000*l.* and prospectively by 152,000*l.* (on an average) per annum.

The amount of this increase of the public charge is quite sufficient of itself to explain the hesitation which my Lords have felt in consenting to it; nor can they shut their eyes to the means by which the claims for this improvement in the terms of service have been urged upon the Government by a part of the officers interested.

Admitting, as my Lords do, that when discontent is shown to prevail extensively in any branch of the public service it calls for attention and inquiry, and, so far as it is proved to be well founded, for redress, they are not prepared to acquiesce in any organised agitation which openly seeks to bring its extensive voting power to bear on the House of Commons against the Executive Government responsible for conducting in detail the administration of the country. The persons who are affected by the changes now proposed are, as you observe, no fewer than 10,000, and the entire postal service numbers nearly five times as many. Other branches of the Civil Service employed (and voting) in various parts of the United Kingdom, are at least as numerous in the aggregate as the servants of the Post Office. All this vast number of persons, not living like soldiers and sailors outside ordinary civil life, are individually and collectively interested in using their votes to increase, in their own favour, the public expenditure, which the rest of the community, who have to gain their living in the unrestricted competition of the open market, must provide by taxation, if it is provided at all.

My Lords, therefore, reserve to themselves the power of directing that the execution of the terms agreed to in the preceding part of this letter be suspended in any post office of which the members are henceforth known to be taking part in extra-official agitation.

They understand that you are inquiring whether the law, as declared in the existing Post Office Acts, does not afford to the public similar protection in respect of postal communication, including telegraphs, as is afforded by the Act 38 & 39 Vict. c. 86, s. 4, to municipal authorities and their contractors, against breaches of contracts of service in respect of gas or water, the wilful interruption to the use of which is hardly of more serious import to the local community than is that of postal communication to the national community.

If the existing Post Office Acts do not meet this case, it will be for my Lords to consider whether the circumstances continue to be such as to make it their duty to propose to Parliament an extension to the Post Office of provisions similar to those cited above from the Act 38 & 39 Vict. c. 86.

In conclusion, my Lords desire me to add, that they entirely agree with you in the opinion that the great body of telegraphists are simply misled in being encouraged to contend that, because the Telegraph Act of 1868 (30 & 31 Vict. c. 110, s. 8 (7)) has declared that such of them as were transferred from the service of the telegraph companies to that of the Postmaster General should "be deemed to be, to all intents and purposes, officers and clerks in the permanent Civil Service of the Crown, and should be entitled to the same but to no other privileges," therefore they became entitled to be paid in conformity with what is generally known as the Playfair Scale, Lower Division, rather than with any other of the numerous scales which are shown in the Estimates annually submitted to Parliament for the salaries of the many thousands of persons who are, equally with these telegraphists, "to all intents and purposes, officers and clerks in the permanent Civil Service of the Crown." The Playfair Scale, as it is called, includes but a very small part of the scales which are to be found in those Estimates, nor have the telegraphists the shadow of a legal right to claim it as peculiarly applicable to themselves.

The Right Hon. Henry Fawcett, M.P.

I have, &c.
(signed) *F. Cavendish.*

Appendix, No. 20.

PAPER handed in by the *Chairman*.

LETTER from Mr. J. A. Godley to the Chairman of the Committee.

India Office, Whitehall, S.W.,
20 June 1888.

Sir,

IN reply to your letter of the 16th May last, requesting that, if there be no objection, a return of the tenders received for Stamped Papers for India may be placed at the disposal of the Committee on Revenue Estimates, of which you are Chairman, I am directed by the Secretary of State in Council to observe that it would be contrary to established practice, and in some degree a breach of the understanding which governs the invitation of such tenders, if their respective amounts were publicly disclosed. I am to add, however, that Viscount Cross has no objection to its being stated that the value, based on average annual demands, of the contract about to be entered into with Messrs. De La Rue & Co., whose tender was the lowest, is 19,928*l*.

I am further to express his Lordship's regret that the intervention of the Whitsuntide holidays, and the necessity for various references which have subsequently been necessary on the subject of your letter, have prevented its receiving an earlier reply.

I have, &c.
(signed) J. A. Godley,

The Right Honourable James Stansfeld, M.P.,
House of Commons.

Appendix, No. 21.

PAPERS handed in by *Mr. Jackson.*

REVENUE DEPARTMENTS ESTIMATES.

POST OFFICE, PACKET SERVICE, AND TELEGRAPH VOTES.

TABLES OF EXPENDITURE AND REVENUE.

- 1.—POST OFFICE AND PACKET SERVICE.—Table showing per-centage of EXPENDITURE to GROSS REVENUE.
- 2.—TELEGRAPHS.—Table showing per-centage of EXPENDITURE to GROSS REVENUE.
- 3.—POST OFFICE AND PACKET SERVICE.—Comparison of WORKING EXPENSES and REVENUE showing per-centages of Increase or Decrease under principal Heads of Expenditure, Capital Outlay excluded.
- 4.—TELEGRAPHS.—Comparison of WORKING EXPENSES and REVENUE showing per-centages of Increase or Decrease under principal Heads of Expenditure, Capital Outlay excluded.
- 5.—POST OFFICE AND PACKET SERVICE.—Growth of WORKING EXPENSES and of REVENUE compared, Capital Outlay excluded.
- 6.—TELEGRAPHS.—Growth of WORKING EXPENSES and of REVENUE compared, Capital Outlay excluded.
- 7.—POST OFFICE AND PACKET SERVICE.—REVENUE and EXPENDITURE, after allowing for Expenditure incurred by or for other Government Departments.
- 8.—TELEGRAPHS.—REVENUE and EXPENDITURE, after allowing for Expenditure incurred by or for other Government Departments.
- 9.—POST OFFICE AND PACKET SERVICE.—Synopsis of REVENUE and EXPENDITURE for 10 years.
- 10.—TELEGRAPHS.—Synopsis of REVENUE and EXPENDITURE for 10 years.

Note.—TABLES 1-6 and 9 and 10 do not take account of any expenditure other than that provided for in the Post Office, Packet Service, and Telegraph Estimates.

ELECT COMMITTEE ON

F I C E.

V. (PACKET SERVICE).

DITURE to GROSS REVENUE.

E O F S E R V I C E.

Per centage of Gross Revenue.	Rates.		Water.		Fuel and Light.		Law Charges.		
	Expenditure as per Appropriation Account.	Per Centage of Gross Revenue.	Expenditure as per Appropriation Account.	Per Centage of Gross Revenue.	Expenditure as per Appropriation Account.	Per Centage of Gross Revenue.	Expenditure as per Appropriation Account.	Per Centage of Gross Revenue.	
	£.		£.		£.		£.		
·35	611	·01	1,533	·02	12,841	·19	5,036	·07	1
·35	537	·01	1,428	·02	12,468	·18	3,758	·05	2
·36	524	·01	1,623	·02	13,034	·18	4,423	·06	3
·42	572	·01	2,026	·03	12,531	·18	4,201	·06	4
·50	764	·01	2,832	·03	15,427	·19	5,900	·07	5
·56	844	·01	2,755	·03	16,090	·19	6,117	·07	6
·52	1,051	·01	2,602	·03	20,989	·25	5,832	·06	7
·50	1,050	·01	3,528	·04	19,032	·21	14,514	·16	8
·53	1,100	01	3,153	·03	19,600	·22	8,990	·10	9
·52	1,350	·01	3,403	·04	20,350	·22	11,395	·12	10
·53	1,350	·01	3,403	0·4	20,350	·22	11,395	·12	11

ed from the National Debt Commissioners on this Account is included in the Extra Receipts.
(b) Previously charged on Vote for Inland Revenue Department.

T E L E G R A P H S.

EGRAPHS).

NDITURE to GROSS REVENUE.

U R R O F S E R V I C E.

Per Centage of Gross Revenue.	Rates.		Water.		Fuel and Light.		Law Charges.		
	Expenditure as per Appropriation Account.	Per Centage of Gross Revenue.	Expenditure as per Appropriation Account.	Per Centage of Gross Revenue.	Expenditure as per Appropriation Account.	Per Centage of Gross Revenue.	Expenditure as per Appropriation Account.	Per Centage of Gross Revenue.	
	£.		£.		£.		£.		
1·51	1,241	·09	406	·03	5,066	·35	2,007	·14	1
1·36	1,268	·08	532	·03	5,240	·33	4,685	·29	2
1·44	896	·06	768	·05	5,224	·32	906	·06	3
1·31	1,312	·08	975	·06	5,435	·31	1,250	·07	4
1·31	1,225	·07	1,069	·06	6,138	·35	1,738	·10	5
1·47	1,060	·06	1,706	·10	6,551	·37	2,242	·13	6
1·45	1,070	·06	1,941	·11	7,537	·43	1,539	·09	7
1·29	886	·05	2,665	·15	9,468	·51	4,080	·22	8
1·27	1,225	·06	2,425	·12	8,112	·41	2,065	·15	9
1·23	1,125	·05	3,385	·17	9,362	·47	2,050	·15	10

(b) Previously charged on Vote for Inland Revenue Department.

I.—P O

VOTES III. (Post Off

TABLE showing Per Centa

NATURE OF SERVIC

	Stores, Uniform Clothing, and Pillar and Wall Letter Boxes.		Miscellaneous (including Allowances for Office Expenses).		Conveyance of Mails.		Manufacture of Stamps.		S
	Expenditure as per Appropriation Account.	Per Centage of Gross Revenue.	Expenditure as per Appropriation Account.	Per Centage of Gross Revenue.	Expenditure as per Appropriation Account.	Per Centage of Gross Revenue.	Expenditure as per Appropriation Account.	Per Centage of Gross Revenue.	
	£.		£.		£.		£.		
1	95,133	1.39	37,507	.55	929,830	13.55	—	—	1
2	81,112	1.16	39,165	.56	943,900	13.48	—	—	1
3	112,457	1.54	41,721	.57	953,837	13.06	—	—	1
4	112,648	1.48	45,677	.60	977,116	12.84	—	—	1
5	141,147	1.74	52,338	.65	1,093,285	13.50	(b) 135,277	1.67	1
6	109,720	1.33	57,628	.70	1,154,311	13.94	142,624	1.72	:
7	117,963	1.39	62,839	.74	1,203,724	14.14	153,041	1.80	:
8	125,368	1.41	72,580	.82	1,263,635	14.20	153,437	1.72	:
9	132,745	1.47	73,218	.81	1,287,848	14.26	164,550	1.82	:
10	136,495	1.46	78,398	.84	1,295,714	13.90	159,600	1.71	:
11	136,495	1.49	78,398	.86	1,295,714	14.14	159,600	1.74	:

(c) Amounts recovered on account of Packet Service
(d) Amounts for the year 1888-89, but shown without

II.—POST OF

VOTE

TABLE showing Per Centa

NATURE OF SERV

	Stores and Uniform Clothing.		Miscellaneous (including Allowances for Office Expenses).		Manufacture of Stamps.		Maintenance of the Telegraph System.	
	Expenditure as per Appropriation Account.	Per Centage of Gross Revenue.	Expenditure as per Appropriation Account.	Per Centage of Gross Revenue.	Expenditure as per Appropriation Account.	Per Centage of Gross Revenue.	Expenditure as per Appropriation Account.	Per Centage of Gross Revenue.
	£.		£.		£.		£.	
1	25,392	1.74	15,573	1.07	—	—	279,093	19.21
2	21,845	1.36	14,559	.90	—	—	292,165	18.14
3	31,418	1.93	14,558	.89	—	—	334,422	20.51
4	25,842	1.49	15,018	.86	—	—	390,999	21.89
5	26,216	1.49	16,462	.93	(b) 710	.04	372,350	21.15
6	26,670	1.46	17,547	1.00	602	.03	375,661	21.40
7	31,473	1.79	18,316	1.07	831	.05	371,842	21.15
8	30,249	1.63	21,832	1.18	1,186	.06	416,229	22.43
9	36,835	1.87	21,738	1.10	1,180	.05	398,611	20.28
10	41,055	2.04	22,371	1.10	1,650	.08	417,502	20.75

(e) Minimum rate for

0.76.

III.—POST OFFICE.—VOTES III. (POST OFFICE) and IV. (PACKET SERVICE).

COMPARISON of WORKING EXPENSES and REVENUE, with PER CENTAGES

EXPENDITURE.						
Y E A R.	Expenditure as per Appropriation Account.	Deduct		Net Expenditure.	Increase or <i>Decrease</i> .	
		Extra Receipts.	Purchase of Sites.			
	£.	£.	£.	£.	£.	<i>Per Cent.</i>
1876-77 - - -	4,018,372	207,523	72,046	3,738,803	—	—
1877-78 - - -	3,993,738	257,744	59,117	3,676,877	(a)— 61,926	— 1·65
1878-79 - - -	4,072,105	485,395	31,658	3,555,052	(b)— 121,825	— 3·31
1879-80 - - -	4,115,601	315,557	321	3,799,723	+ 244,671	+ 6·88
1880-81 - - -	4,146,420	289,016	18,828	3,838,576	38,853	1·02
1881-82 - - -	4,305,373	283,132	10,558	4,011,683	173,107	4·50
1882-83 - - -	4,573,000	316,734	32,704	4,223,562	211,879	5·27
1883-84 - - -	5,226,179	344,132	54,905	4,827,142	(c) 603,580	14·29
1884-85 - - -	5,450,931	382,002	72,464	4,996,465	169,323	3·50
1885-86 - - -	5,599,393	351,154	11,202	5,237,037	240,572	4·81
1886-87 - - -	6,144,743	435,285	253,898	5,455,560	218,523	4·17
1887-88 (<i>Estimates</i>)	6,120,111	380,000	124,000	5,616,111	160,551	2·94
1888-89 (<i>Estimates</i>)	{ 6,308,166 (d) 160,360	{ 364,518 (d) 160,360 }	96,000	5,847,648	231,537	4·12

(a) Savings Bank Correspondence (32,565 l.) first recovered. New Contracts for American Mail Service at reduced rates.
(b) Arrears of Savings Bank Correspondence (214,434 l.) recovered in this year.

POST OFFICE.—VOTE III.

Y E A R.	Sub-head A. Chief Offices—London, Dublin, and Edinburgh.				Sub-head B. Surveyors.			
	Expendi- ture.	Per- centage of Net Expendi- ture.	Increase or <i>Decrease</i> .		Expendi- ture.	Per- centage of Net Expendi- ture.	Increase or <i>Decrease</i> .	
	£.	<i>Per Cent.</i>	£.	<i>Per Cent.</i>	£.	<i>Per Cent.</i>	£.	<i>Per Cent.</i>
1876-77 - - -	817,871	21·88	—	—	52,259	1·40	—	—
1877-78 - - -	844,207	22·96	+ 26,336	3·22	55,642	1·51	+ 3,383	+ 6·47
1878-79 - - -	854,281	24·03	10,074	1·19	54,772	1·54	— 870	— 1·56
1879-80 - - -	880,505	23·17	26,224	3·06	54,690	1·44	— 82	— ·15
1880-81 - - -	878,568	22·89	— 1,937	— ·22	55,902	1·45	+ 1,212	+ 2·22
1881-82 - - -	958,604	23·90	+ 80,036	+ 9·11	57,606	1·44	1,704	3·05
1882-83 - - -	1,038,347	24·59	79,743	8·31	60,968	1·44	3,362	5·83
1883-84 - - -	1,154,925	23·93	116,578	11·22	71,230	1·48	(a) 10,262	16·83
1884-85 - - -	1,192,390	23·86	37,465	3·24	60,806	1·22	— 10,424	— 14·63
1885-86 - - -	1,254,777	23·96	62,387	5·23	62,556	1·19	+ 1,750	+ 2·88
1886-87 - - -	1,345,200	24·65	90,423	7·20	62,912	1·13	356	·56
1887-88 (<i>Estimates</i>)	1,394,476	24·83	49,276	3·66	64,193	1·14	1,281	2·04
1888-89 (<i>Estimates</i>)	1,471,939	25·17	77,463	5·55	65,120	1·11	927	1·44

(a) Preparations for parcel post.

III.—POST OFFICE.—VOTES III. (POST OFFICE) and IV. (PACKET SERVICE).

of INCREASE or DECREASE under Principal Heads of EXPENDITURE.

	R E V E N U E.			Net Revenue.	Per-centage of Working Expenses to Gross Revenue.	Per-centage which the Expenditure under Sub-heads A., B., C., and G. bears to the Per-centage of Working Expenses.			
	Revenue as per Finance Accounts.	Increase or <i>Decrease</i> .				A. Chief Offices; London, Dublin, and Edinburgh.	B. Surveyors.	C. Provincial Establish- ments.	G. Convey- ance of Mails.
	£.	£.	<i>Per Cent.</i>	£.	<i>Per Cent.</i>	<i>Per Cent.</i>	<i>Per Cent.</i>	<i>Per Cent.</i>	<i>Per Cent.</i>
1	6,007,939	—	—	2,269,136	62·23	13·61	·87	17·54	14·97
2	6,033,273	30,334	0·50	2,361,396	60·89	13·98	·92	18·08	14·56
3	6,265,353	227,080	3·76	2,710,301	56·74	13·64	·87	18·09	10·83
4	6,548,778	283,425	4·52	2,749,055	58·02	13·44	·83	17·85	13·71
5	6,709,110	160,332	2·44	2,870,534	57·21	13·09	·83	17·99	13·49
6	7,019,069	309,959	4·61	3,007,386	57·15	13·65	·82	18·18	13·03
7	7,293,335	274,266	3·90	3,069,773	57·91	14·24	·84	18·94	12·91
8	7,756,638	463,353	6·35	2,929,546	62·23	14·89	·92	20·89	13·59
9	7,893,910	142,222	1·83	2,902,445	63·26	15·09	·76	21·85	14·10
10	8,162,651	263,741	3·33	2,925,614	64·16	15·37	·77	22·12	14·24
11	8,462,567	299,916	3·67	3,007,007	64·46	15·89	·74	22·59	14·42
12	8,650,000	187,433	2·21	3,033,889	64·93	16·12	·74	22·97	14·39
13	8,800,000	150,000	1·73	2,952,352	66·45	16·73	·74	24·02	14·21

(c) Cost of manufacture of Stamps (135,277*l.*) first charged to Post Office Vote. Parcel Post introduced this year (August 1883).
(d) Appropriations-in-Aid.

POST OFFICE.—VOTE III.

Sub-head C. Provincial Establishments.					Sub-head G. Conveyance of Mails.				
Expenditure.		Per-centage of Net Expendi- ture.	Increase or <i>Decrease</i> .		Expenditure.		Per-centage of Net Expendi- ture.	Increase or <i>Decrease</i> .	
	£.	<i>Per Cent.</i>	£.	<i>Per Cent.</i>		<i>Per Cent.</i>	£.	<i>Per Cent.</i>	
1	1,054,070	28·19	—	—	899,690	24·06	—	—	
2	1,038,630	29·61	34,560	3·28	879,352	23·91	— 20,338	— 2·26	
3	1,133,227	31·38	44,597	4·10	678,726	19·09	— 200,626	— 22·82	
4	1,168,699	30·76	35,472	3·13	897,977	23·63	+ 219,251	+ 24·42	
5	1,207,627	31·46	38,928	3·33	905,148	23·58	7,171	·79	
6	1,276,632	31·82	69,005	5·71	915,162	22·81	10,014	1·11	
7	1,381,156	32·70	104,524	8·19	941,484	22·29	26,322	2·88	
8	1,621,119	33·58	239,963	17·37	1,054,720	21·85	113,236	12·03	
9	1,726,261	34·55	105,142	6·48	1,114,091	22·30	59,371	5·63	
10	1,805,570	34·48	79,318	4·59	1,162,255	22·19	48,164	4·32	
11	1,912,083	35·05	106,504	5·87	1,221,212	22·38	58,957	4·99	
12	1,986,604	35·37	74,521	3·90	1,244,848	22·17	23,636	1·94	
13	2,113,723	36·15	127,119	6·40	1,250,714	21·39.	5,866	·47	

0.76.

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IV. - - - - -
POST OFFICE TELEGRAPHS. - - - - -

COMPARISON of WORKING EXPENSES and REVENUE, with Per-centages

Y E A R	EXPENDITURE. VOTE 5.								REVENUE.		
	Expenditure as per Appropriation Account.	Deduct			Net Expenditure.	Increase or Decrease.			Revenue as per Finance Accounts.	Increase or Decrease.	
		Extra Receipts.	Purchase of Sites.	Extension of Works, &c., Sub-Head O. 1, 2, 3, and 5.							
1876-77 - - -	£. 1,123,790	£. 14,548	£. 35,700	£. 20,842	£. 1,082,700	£. —	Per Cent. —		£. 1,298,578	£. —	Per Cent. —
1877-78 - - -	1,164,114	16,074	29,708	28,040	1,090,292	37,592	3.57		1,317,468	18,910	1.45
1878-79 - - -	1,069,392	13,165	15,797	24,992	1,035,488	—54,854	—5.03		1,332,736	16,258	1.23
1879-80 - - -	1,111,483	14,474	1,785	19,699	1,075,525	40,087	3.87		1,438,014	104,288	7.81
1880-81 - - -	1,242,092	17,960	4,104	103,488	1,116,540	41,015	3.81		1,591,947	151,933	10.77
1881-82 - - -	1,365,632	13,643	10,824	107,660	(a) 1,233,495	116,955	10.47		1,616,799	23,852	1.49
1882-83 - - -	1,504,304	15,515	46,710	102,986	1,338,993	105,498	8.55		1,724,548	107,749	6.66
1883-84 - - -	1,709,644	12,970	23,437	279,029	1,394,208	55,215	4.12		1,747,989	22,381	1.35
1884-85 - - -	1,781,040	15,533	10,180	260,021	1,445,336	51,128	3.66		1,739,586	—8,343	—0.47
1885-86 - - -	1,783,104	13,113	16,724	154,021	(b) 1,549,216	103,910	7.18		1,745,056	5,470	0.31
1886-87 - - -	1,939,764	14,525	126,204	74,935	1,724,100	174,844	11.28		1,841,161	96,105	5.80
1887-88 (Estimates) -	1,950,243	14,800	51,000	96,500	1,787,948	63,848	3.70		1,950,000	106,839	5.91
1888-89 " -	2,036,836	12,410	81,000	96,500	1,896,926	108,978	6.10		2,000,000	50,000	2.58

(a) New Classification and Scale of Wages for Telegraphists.

TELEGRAPH. VOTE V. - - - - -

Y E A R.	SUB-HEAD A. Secretary's Office.				SUB-HEAD B. Accounts.				SUB-HEAD C. Maintenance.				SUB-HEAD E. Central Telegraph Office.			
	Expen- diture.	Per- centage of Net Expen- diture.	Increase or Decrease.		Expen- diture.	Per- centage of Net Expen- diture.	Increase or Decrease.		Expen- diture.	Per- centage of Net Expen- diture.	Increase or Decrease.		Expen- diture.	Per- centage of Net Expen- diture.	Increase or Decrease.	
1876-77 - - -	£. 24,350	2.31	£. —	Per Cent. —	£. 32,262	3.06	£. —	Per Cent. —	£. 204,020	28.88	£. —	Per Cent. —	£. 107,645	10.23	£. —	Per Cent. —
1877-78 - - -	27,585	2.53	3,235	13.29	33,329	3.06	1,067	3.31	318,263	29.19	14,243	4.68	114,200	10.47	6,555	6.09
1878-79 - - -	26,624	2.57	—961	—3.43	33,858	3.27	529	1.59	260,110	25.12	—56,153	—18.27	123,120	11.89	8,920	7.81
1879-80 - - -	28,279	2.63	1,655	6.22	34,512	3.21	654	1.93	276,971	25.75	16,861	6.48	126,221	11.74	3,101	2.52
1880-81 - - -	30,047	2.69	1,768	6.25	38,209	3.42	3,697	10.71	289,070	28.89	12,099	4.37	133,373	11.95	7,152	5.67
1881-82 - - -	28,368	2.80	—1,679	—5.59	41,509	3.36	3,300	8.64	332,371	26.95	43,301	14.98	149,449	12.12	16,076	12.06
1882-83 - - -	28,763	2.15	395	1.39	45,154	3.37	3,645	8.78	377,309	28.18	44,938	13.52	165,201	12.34	15,752	10.54
1883-84 - - -	31,475	2.26	2,712	9.43	47,522	3.41	2,368	5.24	369,046	26.47	—8,263	—2.19	174,428	12.51	9,327	5.59
1884-85 - - -	33,621	2.33	2,146	6.62	49,628	3.43	2,106	4.43	671,522	25.71	2,478	0.67	186,596	12.91	12,168	6.98
1885-86 - - -	36,227	2.34	2,606	7.75	54,368	3.51	4,740	9.55	369,588	28.86	—1,934	—0.52	205,884	13.29	19,288	10.34
1886-87 - - -	40,049	2.32	3,822	10.55	64,128	3.71	9,760	17.95	413,888	29.95	44,200	11.98	222,856	12.67	16,972	8.24
1887-88 (Estimates) -	39,085	2.19	—964	—2.41	67,248	3.76	3,120	4.87	395,611	22.13	—18,277	—4.42	243,082	12.59	20,226	9.08
1888-89 " -	40,862	2.14	1,487	3.83	70,165	3.70	2,917	4.24	415,002	21.88	19,391	4.90	255,903	13.49	12,821	5.27

IV.
POST OFFICE TELEGRAPHS.

of Increase or Decrease, under Principal Heads of Expenditure.

Net Revenue.	Per-centage of Working Expenses to Gross Revenue.	Per-centage which the Expenditure under Sub-Heads A., B., C., E., F., and G. bears to the Per-centage of Working Expenses.						Y E A R.
		Sub-Head A. Secretary's Office.	Sub-Head B. Accounts.	Sub-Head C. Maintenance.	Sub-Head E. Central Telegraph Office.	Sub-Head F. London Offices.	Sub-Head G. Provincial Offices.	
£. 245,858	81·07	1·88	2·48	23·41	8·39	5·31	33·03	1876-77.
327,176	82·76	2·09	2·53	24·16	8·67	4·92	32·65	1877-78.
398,288	77·63	2·00	2·34	19·50	9·23	5·05	35·16	1878-79.
362,489	74·79	1·96	2·40	19·26	8·78	5·48	32·83	1879-80.
476,407	70·09	1·89	2·40	18·15	8·37	5·19	30·63	1880-81.
383,304	76·29	1·76	2·57	20·56	9·24	5·41	32·43	1881-82.
385,555	77·64	1·66	2·62	21·88	9·58	5·33	32·66	1882-83.
352,721	79·76	1·80	2·72	21·11	9·98	5·98	34·30	1883-84.
294,260	83·09	1·93	2·85	21·36	10·73	6·41	35·98	1884-85.
195,810	88·78	2·08	3·12	21·18	11·80	6·81	39·60	1885-86.
117,061	93·64	2·17	3·48	22·46	12·10	7·61	41·60	1886-87.
162,052	91·69	2·00	3·45	20·29	12·47	7·76	41·37	1887-88 (Estimates).
103,074	94·65	2·03	3·51	20·75	12·80	8·18	42·67	1888-89 "

(b) Minimum rate for telegrams reduced to 6d. on 1st October 1885.

TELEGRAPH. VOTE V.

SUB-HEAD F. London District and Branch Offices.				SUB-HEAD G. Provincial Offices.				SUB-HEAD O. Telegraph Works.				Y E A R.
Expen- diture.	Per- centage of Net Expen- diture.	Increase or Decrease.		Expen- diture.	Per- centage of Net Expen- diture.	Increase or Decrease.		Expen- diture.	Per- centage of Net Expen- diture.	Increase or Decrease.		
£.		£.	Per Cent.	£.		£.	Per Cent.	£.	Not included in Net Expenditure.	£.	Per Cent.	
68,919	6·55	-	-	428,940	40·75	-	-	23,392		-	-	1876-77.
64,814	5·94	-4,105	-5·96	430,143	39·45	1,203	0·28	30,166		6,774	28·96	1877-78.
67,397	6·51	2,583	3·99	468,859	45·28	38,716	9·00	26,876		-3,290	-10·81	1878-79.
78,753	7·32	11,356	16·85	472,099	43·89	3,240	0·69	21,821		-5,055	-18·81	1879-80.
82,681	7·40	3,928	4·99	487,987	43·71	15,888	3·37	106,583		84,762	388·44	1880-81.
87,521	7·09	4,840	5·85	524,346	42·51	36,359	7·45	109,712		3,129	2·94	1881-82.
91,887	6·86	4,366	4·99	566,660	42·32	42,314	8·07	106,677		-3,035	-2·77	1882-83.
104,609	7·50	12,722	13·85	599,597	43·01	32,937	5·81	282,333		175,666	164·66	1883-84.
111,501	7·71	6,892	6·59	625,995	43·31	26,398	4·40	264,160		-13,173	-6·44	1884-85.
118,912	7·67	7,411	6·63	691,116	44·61	65,120	10·40	156,275		-107,885	-40·84	1885-86.
140,294	8·12	21,382	17·91	766,033	44·43	74,918	10·83	77,276		-78,999	-50·51	1886-87.
151,385	8·47	11,091	7·91	806,780	45·12	40,747	5·32	99,500		22,224	28·76	1887-88 (<i>Estimates</i>).
163,632	8·62	12,247	8·09	853,473	44·99	46,693	5·79	99,000	-500	-0·50	1888-89 "	

V.
POST OFFICE. VOTES III. (POST OFFICE) and IV. (PACKET SERVICE).
GROWTH of WORKING EXPENSES and of REVENUE Compared, CAPITAL OUTLAY excluded.

Y E A R.	E X P E N D I T U R E.					R E V E N U E.			Per-centage of Net Expenditure to Revenue.
	Expenditure as per Appropriation Account.	D E D U C T.		Net Expenditure.	Increase.	Revenue as per Finance Accounts.	Increase.		Net Revenue.
		Extra Receipts.	Purchase of Sites.				£.	Per Cent.	
1876-77 -	£. 4,018,372	£. 207,523	£. 72,046	£. 3,738,803	£. —	£. 6,007,939	£. —	—	£. 2,269,186
1877-78 -	3,993,738	257,744	59,117	3,676,877	(a) - 61,926 - 165	6,038,273	30,334	0.50	2,361,396
1878-79 -	4,072,105	485,395	31,658	3,555,052	(b) - 121,825 - 3.4	6,265,353	227,080	3.76	2,710,301
1879-80 -	4,115,601	315,557	321	3,799,723	+ 244,671 6.88	6,548,778	283,425	4.52	2,749,055
1880-81 -	4,146,420	239,016	18,823	3,838,576	38,853 1.02	6,709,110	160,332	2.44	2,870,534
1881-82 -	4,305,373	283,132	10,558	4,011,683	173,107 4.50	7,019,069	309,959	4.61	3,007,386
1882-83 -	4,573,000	316,734	32,704	4,223,562	211,879 5.27	7,293,335	274,266	3.90	3,069,773
1883-84 -	5,226,179	344,132	54,905	2,827,142	(c) 603,580 14.29	7,756,688	463,353	6.35	2,929,546
1884-85 -	5,450,931	382,002	72,464	4,996,465	169,323 3.50	7,898,910	142,222	1.83	2,902,445
1885-86 -	5,599,393	351,154	11,502	5,237,037	240,572 4.81	8,162,651	263,741	3.33	2,925,614
1886-87 -	6,144,743	435,285	263,898	5,455,560	218,523 4.17	8,462,567	299,916	3.67	3,007,007
1887-88 (Estimate) -	6,120,111	380,000	124,000	5,616,111	160,551 2.94	8,650,000	187,433	2.21	3,033,889
1888-89 -	6,308,166	364,518	96,000	5,847,648	231,537 4.12	8,800,000	150,000	1.73	2,952,352
	(d) 160,360	(d) 160,360							

Note.—The Cost of the Post Office Savings Bank is included in the Expenditure, and the amount recovered from the National Debt Commissioners on this Account is included in the Extra Receipts.
(a) Savings Bank Correspondence (52,565 l.) first recovered. New Contracts for American Mail Service at reduced rates.
(b) Arrears of Savings Bank Correspondence (214,434 l.) recovered this year.
(c) Cost of Manufacture of Stamps (135,277 l.) first charged to Post Office Vote. Parcel Post introduced this year (August 1883).
(d) Amount recovered under Packet Vote, formerly taken as Extra Receipts, now treated as Appropriations-in-Aid.

VI.
POST OFFICE TELEGRAPHS.

GROWTH of WORKING EXPENSES and of REVENUE compared, CAPITAL OUTLAY excluded.

Y E A R.	EXPENDITURE, VOTE V.						REVENUE.		Percentage of Working Expenses.		
	Expenditure as per Appropriation Account.	DEDUCT			Net Expenditure.	Increase.		Revenue as per Finance Accounts.		Increase.	
		Extra Receipts.	Purchase of Sites.	Extensions of Works, &c., Sub-head O. 1, 2, 3, and 5.		£.	£.				Per Cent.
1876-77	-	-	-	-	-	-	£.	-	£.	-	81.07
1877-78	-	-	-	-	-	-	1,298,558	-	245,858	-	82.76
1878-79	-	-	-	-	-	-	1,317,468	18,910	227,176	1.45	77.63
1879-80	-	-	-	-	-	-	1,333,726	16,268	298,288	1.23	74.79
1880-81	-	-	-	-	-	-	1,438,014	104,288	362,489	7.81	70.09
1881-82	-	-	-	-	-	-	1,592,947	154,933	476,407	10.77	76.29
1882-83	-	-	-	-	-	-	1,616,799	23,852	383,304	1.49	77.64
1883-84	-	-	-	-	-	-	1,724,548	107,749	385,555	6.66	79.76
1884-85	-	-	-	-	-	-	1,747,929	23,381	353,721	1.35	83.09
1885-86	-	-	-	-	-	-	1,739,586	-8,323	294,250	-0.47	88.78
1886-87	-	-	-	-	-	-	1,745,056	5,470	195,810	0.31	93.64
1887-88 (Estimates)	-	-	-	-	-	-	1,841,161	96,105	117,061	5.50	91.69
1888-89	-	-	-	-	-	-	1,950,000	108,889	162,052	5.91	94.85
	-	-	-	-	-	-	2,000,000	50,000	103,074	2.56	

(a) New classification and scale of wages for telegraphists.

(b) Minimum rate for telegrams reduced to 6 d. on 1st October 1885.

VII. - - - - -
POST OFFICE. - - - - -

REVENUE and EXPENDITURE, after allowing for EXPENDITURE

YEAR.	R E V E N U E.							
	Revenue, including Extra Receipts.	Value of Postal Service performed for other Public Departments without Remuneration.						TOTAL.
		Commission	Commission	Postage	Issue	Sale	TOTAL.	
		on Money Orders.	on Postal Orders.	on Correspond- ence.	of Licenses at 4 per Cent. on Total Value.	of Inland Revenue Stamps at 1 per Cent. on Total Value.		
<i>Actual.</i> 1883-84	£. 8,100,820	£. 14,100	£. -	£. 183,290	£. 32,748	£. 7,316	£. 237,454	£. 8,338,274
1884-85	8,280,913	14,527	105	167,732	33,780	7,979	224,123	8,505,036
1885-86	8,513,805	17,096	452	180,659	34,004	8,422	240,633	8,754,438
1886-87	8,897,852	17,228	608	190,738	33,968	9,247	251,789	9,149,641
<i>Estimate.</i> 1887-88	9,030,000	14,412	734	199,068	35,200	9,100	258,514	9,288,514

Note.—The cost of the Post Office Savings Bank is included in the expenditure, and the amount recovered from the National Debt Commissioners on this account is included in the extra receipts.

VIII. - - - - -
TELEGRAPHS. - - - - -

REVENUE and EXPENDITURE, after allowing for EXPENDITURE

YEAR.	R E V E N U E.			E X P E N D I T U R E. - - -		
	Revenue, including Extra Receipts.	Value of Telegraphic Services performed for other Public Departments without Remuneration.	TOTAL.	Telegraph, Vote V., as per Appropriation Accounts.	Expenditure borne	
					Revenue Departments Buildings.	Rates on Government Property.
<i>Actual.</i> 1883-84 -	£. 1,760,899	£. 25,775	£. 1,786,674	£. 1,709,644	£. 69,428	£. 871
1884-85 -	1,755,119	27,097	1,782,216	1,731,040	59,136	1,003
1885-86 (a)	1,758,169	26,997	1,785,166	1,733,104	60,723	1,155
1886-87 -	1,855,686	29,206	1,884,892	1,939,764	51,204	1,105
<i>Estimate.</i> 1887-88 -	1,964,500	30,000	1,994,800	1,950,248	31,925	1,110

(a) Minimum rate for telegrams reduced to 6 d. on 1st October 1885.

VII.

POST OFFICE.

incurred by or for other GOVERNMENT DEPARTMENTS.

EXPENDITURE.										Net Revenue.	YEAR.
Post Office, Vote III., and Packet Service, Vote IV., as per Appropriation Account.	Expenditure borne on Votes of other Departments.								TOTAL.		
	Revenue Depart- ments Buildings.	Rates on Govern- ment Property.	Public Build- ings, Ireland.	Ex- chequer and Audit Depart- ment.	Sta- tionery and Printing.	Inland Revenue Department in respect of Cost of Issue of Postage Stamps and Postal Orders.	Law Charges, England (Parlia- mentary Agency).	TOTAL.			
£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	Actual.
5,226,179	176,751	14,359	15,399	3,723	63,858	11,117	-	285,207	5,511,386	2,826,888	1883-84.
5,450,932	114,310	15,810	18,740	4,097	54,797	11,480	-	219,234	5,670,166	2,834,870	1884-85.
5,599,393	137,885	18,181	21,520	4,282	58,223	11,192	-	242,283	5,841,676	2,912,762	1885-86.
6,144,743	111,812	19,449	11,253	4,633	65,730	12,856	146	225,879	6,370,622	2,779,019	1886-87.
6,120,111	110,047	21,000	8,900	4,800	66,000	13,000	-	223,747	6,343,858	2,944,656	Estimate. 1887-88.

VIII.

TELEGRAPHS.

incurred by or for other GOVERNMENT DEPARTMENTS.

EXPENDITURE.						Net Deficit.	YEAR.
on Votes of other Departments.					TOTAL.		
Public Buildings, Ireland.	Exchequer and Audit Department.	Stationery and Printing.	Inland Revenue Department, in respect of Stamps used on Telegrams.	TOTAL.			
£.	£.	£.	£.	£.	£.	£.	Actual.
2,518	1,911	21,831	168	96,727	1,806,371	19,697	1883-84.
2,834	2,347	22,040	166	87,526	1,818,566	36,350	1884-85.
3,280	2,161	29,643	237	97,199	1,830,303	45,137	1885-86. (a)
2,694	2,193	33,071	334	90,601	2,030,365	145,473	1886-87.
3,840	2,200	34,000	350	73,425	2,023,673	28,873	Estimate. 1887-88.

IX.

POST OFFICE.

VOTE III. (POST OFFICE) AND VOTE IV. (PACKET SERVICE).

SYNOPSIS OF REVENUE AND EXPENDITURE for Ten Years.

	Y E A R									
	1879-80.	1880-81.	1881-82.	1882-83.	1883-84.	1884-85.	1885-86.	1886-87.	1887-88. Estimate.	1888-89. Estimate.
	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.
Gross Revenue, including Extra Receipts	6,864,335	6,998,126	7,302,301	7,610,069	8,100,820	8,260,913	8,513,803	8,897,852	9,080,000	9,164,518 (a) 160,360 }
Expenditure, as per Appropriation Account	4,115,601	4,146,420	4,305,373	4,573,000	5,226,179	5,450,932	5,599,393	6,144,743	6,120,111	6,308,166 (a) 160,360 }
Net Revenue	2,784,734	2,851,706	2,996,928	3,037,069	2,874,641	2,829,981	2,914,412	2,753,109	2,909,889	2,856,352
Percentage of Expenditure to Gross Revenue	59-96	59-25	58-96	60-09	64-51	65-22	65-76	69-05	67-77	69-36

Note.—The cost of the Post Office Savings Bank is included in the expenditure, and the amount recovered from the National Debt Commissioners on this account is included in the Extra Receipts.
(a) Amounts recovered on account of Packet Services formerly taken as Extra Receipts, now treated as Appropriations in Aid.

X.

POST OFFICE TELEGRAPHS.

VOTE V. (TELEGRAPHS.)

SYNOPSIS of REVENUE and EXPENDITURE for Ten Years.

	Y E A R									
	1879-80.	1880-81.	1881-82.	1882-83.	1883-84.	1884-85.	(a) 1885-86.	1886-87.	1887-88. Estimate.	1888-89. Estimate.
	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.
Gross Revenue, including Extra Receipts	1,452,488	1,610,907	1,630,442	1,740,063	1,760,899	1,755,119	1,758,169	1,855,686	1,964,800	2,012,410
Expenditure as per Appropriation Account	1,111,483	1,242,092	1,865,632	1,504,204	1,709,644	1,731,040	1,733,104	1,939,764	1,950,248	2,036,836
Net Revenue	341,005	368,815	264,810	235,859	51,255	24,079	25,065	Deficit 84,078	14,552	Deficit 24,426
Percentage of Expenditure to Gross Revenue	76.52	77.11	83.76	86.45	97.09	98.63	98.57	104.53	99.25	101.21

(a) Minimum rate for telegrams reduced to 6 d. on 1st October 1885.

I N D E X.

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Opinion that the penny postage contract, taken by itself, was an advantageous one at the time for Government, 1245–1247. 1340–1342. 1403–1405—Explanation respecting the consolidated contract with Messrs. De La Rue for the penny stamp and for halfpenny stamps, &c.; verbal negotiation as to the latter between Messrs. De La Rue and Sir Charles Herries, 1247–1262. 1332–1339.

Reduction of ten per cent. allowed by Messrs. De La Rue on cards and wrappers, and of fifteen per cent. on envelopes; statement hereon upon the subject of the fall in prices in relation to this reduction, 1253. 1256–1262—Pressure on the part of the Post Office as to the contract for halfpenny and other stamps, 1258. 1261, 1262. 1408–1414.

Examination as to the document furnished to each of the competitors (six in number) for the contract for the penny postage stamp, and as to the tenders received; belief that all the latter, as well as the successful tender of Messrs. De La Rue, can be produced to

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Cousins, William Henry, C.B. (Analysis of his Evidence)—continued.

the Committee, 1263-1311—Explanation respecting the adoption by Sir Charles Herries of a suggestion by Messrs. De La Rue that there should be a condition about surface printing in the tenders; this was some six or eight months before the competition, 1312-1331. 1373, 1374. 1383-1385. 1394, 1395—Belief that the tenders for the stamps were opened at the Inland Revenue Board in the usual way, and that it was not known beforehand which was the tender of Messrs. De La Rue; the latter, however, alone fulfilled the chemical conditions required, 1332-1339.

Circumstance of Messrs. De La Rue having offered a reduction of 10,000 £ on their contract for post cards and wrappers, when it still had three years to run, if the contract were prolonged to seventeen years; witness was not consulted on this question, 1343-1349—Nor has witness formed any opinion as to the profits made by Messrs. De La Rue under this contract through the fall in prices, 1349,* 1350—Statement as to Government not deriving any advantage from the fall in prices in respect of the contract for adhesive stamps, 1351-1353. 1386-1393.

Explanation that witness had nothing to do with the acceptance of Messrs. De La Rue's terms for the supply of post cards, wrappers, &c.; pressure on the part of the Post office as to the stamp supply which led to the foregoing contract being arranged without competition, 1354-1382. 1408-1414—Statement on the question of other firms besides Messrs. De La Rue having been conversant with the process of surface printing adopted at the suggestion of the latter firm as a condition of the tenders for stamps, 1394-1402. 1433.

Statement to the effect that, as Controller of Stamps, witness was not consulted about the terms of the penny stamp contract; other officials with whom the matter rested, 1415-1430—So far as witness knows, Sir Charles Herries acted on his judgment and did not consult any official, 1428, 1429—Competitive tenders only for the penny stamps; belief, however, that all the adhesive stamps are now of the same quality, 1431-1435.

Cousins, Mr. Correction of certain evidence of Mr. Cousins as to the late Sir Charles Herries having acted in the matter of the stamp contract of 1879-80 without consulting his technical advisers in the department; testimony borne to the ability of Mr. Cousins, though in error on the foregoing question, *Sir A. West* 3146-3155. 3160-3166.

CUSTOMS DEPARTMENT:

As Chairman of the Board of Customs, witness submits Treasury letters of 8th March 1887 and 3rd March 1888, testifying to the careful and economical preparation of the Customs Estimates for 1887-88 and 1888-89; *Sir C. Du Cane* 2634-2637.

Information respecting the several items of increase and decrease in the Estimates of the present year, the net decrease being 13,928 £ as compared with 1887-88; *Sir C. Du Cane* 2638-2650—Charge made in the Estimates for the Customs establishment in the Isle of Man, the amount being repaid from the Inland Revenue, *ib.* 2651-2654.

Increase of 30,320 £ in the charge for superannuations and compensations during the last few years; saving on the other hand of 99,185 £ in re-organisations and reductions of staff, *Sir C. Du Cane* 2655-2669—Reduction in the cost of collection from 4 £ 10 s. 8 d. per cent. in 1883 to 4 £ 6 s. 8 d. in 1888; *ib.* 2668.

Considerable reduction in the cost of maintenance of Customs buildings since their transfer to the Office of Works, *Primrose* 2674. 2677, 2678. 2692, 2693.

Memorandum handed in by Sir Charles Du Cane explanatory of the several items of increase and decrease in the Estimates for 1888-89; large decrease (10,050 £) in respect of establishments other than London, *App.* 293-295.

Statement showing the scales of salary in the different ranks and classes, *App.* 296.

Statement showing the rank and number of officers in London, Liverpool, and at the outposts, *App.* 297.

Letter from the Secretary to the Treasury to the Commissioners of Customs, dated 8th March 1887, testifying to the careful and economical preparation of the Estimates for 1887-88, *App.* 298—Further letter dated 3rd March 1888, to a similar effect as regards the Estimates for 1888-89, *ib.*

Conclusion of the Committee that the Estimate shows signs of careful administration and of reductions made, pending the definite determination of the question of the amalgamation of the Customs and Inland Revenue Departments, *Rep.* iii.

Decrease of 13,928 £ in the Customs Estimate as compared with the previous year, *Rep.* iii—Satisfactory reduction in the charge for staff, though there has been an increased charge for superannuation, *ib.*

See also *Inland Revenue*, 6.

D.

De La Rue, Warren William. (Analysis of his Evidence.)—Witness was senior partner till 31st December 1886, in the firm of Thomas De La Rue & Co., and is Deputy Engraver to the Board of Inland Revenue; he is well conversant with the circumstances and terms of the contracts for the supply of postage stamps, post cards, &c., 1596, 1597, 1687-1689.

Supply by Messrs. Perkins and Bacon of the old copper-plate stamps for about forty years, until January 1880, when the surface-printed penny stamps introduced by witness' firm were issued, 1597, 1598—Information respecting the dates of the various letters which passed between the Inland Revenue Board and witness' firm in 1879, in connection with the penny postage stamp and the tender of the firm, which was accepted on the 27th June 1879; 1598-1605—First supply of the new stamps in November 1879, they having been issued to the public on 6th January 1880; 1602, 1603, 1605.

Letter from the Inland Revenue Board on 7th January 1880, asking whether the firm were prepared to supply halfpenny, penny-halfpenny, and two-penny stamps of the same kind as the new penny stamp, 1605—Frequent personal interviews between witness and Sir Charles Herries, consequent upon the letter of 7th January 1880; several grounds submitted by witness at these interviews and subsequently, in support of a scheme for the consolidation and extension of the contracts for the different kinds of postage stamps and of other articles, 1605, 1606.

Proposal by witness' firm to the Board on 30th January 1880, submitting a scheme of economy and reform in accordance with the terms debated in detail between himself and Sir Charles Herries; large reduction required by the Board in the price of certain articles, which the firm would only partially concede, 1606—Consultation of witness at this period upon the question of the production of unified stamps, as requiring special experience and care, 1606—Claim by witness on the part of the firm that they are specialists in the production of stamps, and that their processes are not known to any other firm, 1606-1608, 1621, 1622.

Very full data in the possession of Sir Charles Herries for enabling him to test the fairness of the offer made by the firm on 30th January; not only was he convinced that the offer was fair and reasonable, but witness asserts that it was so, 1608, 1609—Summary of the savings effected by the State by reason of the reductions made in the original contract prices under the re-arrangement of 1880; total of about 22,000*l.* a year, 1610-1613—Statement by Sir Charles Herries that under the new postage contract there was a saving of 9,000*l.* a year, 1613, 1801-1803—Sliding scale of prices in the contract according to the quantities ordered at a time, 1613-1615.

Entire dissent from the calculations and figures of Mr. Purcell, whereby he estimates at an absurdly large amount the profits made by witness' firm out of the contract in question, 1615-1620—Very imperfect information on which Mr. Purcell stated that another firm offered to supply envelopes for India at half the price obtained by witness' firm, 1620, 1621.

Supply of stamped papers by the firm to the Government of India, the stamps being printed in doubly-fugitive ink; no other firm in England can use this process, 1621, 1622—Comment upon Mr. Purcell's evidence as to the probable reduction under the impending competition for the supply of Indian stamped paper, 1622.

Great increase since 1879 in the total quantities of cards, wrappers, and envelopes supplied under the contract; consequent reduction in the cost of production, 1622—Advantage also to the firm through the remarkable decrease since 1879 in the prices of material, 1622—Entire change since 1879 in the system of manufacture; illustration in the case of post cards in the manufacture of which all the old machines have been discarded in favour of new inventions or improvements, 1622-1624.

Exception taken to a suggestion that the contract prices should be reduced in view of the great fall in the cost of material; loss to the firm if there had been an increase of cost, 1624-1627—Loss also if the consumption of post cards, &c., had greatly fallen off, as has been the case in the matter of stamped envelopes, 1627, 1628.

Very large staff employed by witness' firm in the inspection of post cards and wrappers before their delivery; rejection of eight per cent. of the cards through some defect or other, 1628, 1629—Admission that, owing to different causes, the present prices of certain articles are excessive, more especially post cards and Indian envelopes, 1629—Statement that it is not the fact that the firm applied for an extension of their contracts without offering to make any reduction in the prices, 1629-1631.

Explanations in connection with letter from Messrs. De La Rue to the Inland Revenue Board, dated 11th November 1886, setting forth the claims of the firm to the consideration of the Government in respect of the new stamp scheme, and applying for an

De La Rue, Warren William. (Analysis of his Evidence)—continued.

extended term of ten years, 1931-1636—Appointment of a Committee by the Postmaster General in 1884 in order to consider designs for new stamps; constant attendance given by witness (in his honorary capacity as deputy engraver) to this Committee, he having submitted from 300 to 400 designs, 1633-1635. 1773-1780.

Reference to the letter of 11th November 1886, as not asking for any extension of the contract as regards post cards, newspaper wrappers, and envelopes; offer made on the other hand to undertake certain work, free of charge, which is now done by the Inland Revenue Department, 1635—Great strain upon witness' health through his labours in connection with the new stamp scheme, so that he had to retire from his firm, 1635.

Re-organisation and great increase of cost entailed upon the firm in connection with the contract for the supply of Indian adhesive stamps; application made on this ground for an extension of this contract and of that for stamped papers, 1635, 1636—Explanation that it was perfectly well known in the Inland Revenue Department and in the India Office that the firm were prepared for a reduction of price under the stamped papers contract, 1636. 1807-1809.

Estimate of about eighteen millions sterling per annum as the representative value of the stamps manufactured by De La Rue & Co. for England and for India; great and continuous responsibility entailed upon the firm in supplying this demand, 1636—There are at present from forty to fifty Government employes engaged at the works in reference to the different supplies, 1636—Reiteration of the conclusion that the proposals in the letter of 11th November 1886, were fair and reasonable, and that the firm have not been treated in the matter with the indulgence which they deserved, 1636.

Grounds for the statement that the stamps manufactured by De La Rue & Co. possess valuable properties not possessed by any other stamp; secret processes used by the firm, whereby forgery and fraud are rendered impracticable, 1637-1647—Statement to the effect that the "Terms of Contract" in 1879 for the penny postage stamps were not prepared in accordance with suggestions by witness; omission in the "Terms" not having included a condition providing against the stamps being forged, 1648-1664. 1708-1710—Unfairness in the competition in so far as prices for a superior article (that of Messrs. De La Rue) had to compare with prices of inferior articles of several competitors, 1653-1657. 1686.

Explanation as to the firm not having been prepared to go on with the stamp supply unless they were given an extended contract for post cards, &c., 1665-1670—Tenders issued to Messrs. Perkins and Bacon in competition with Messrs. De La Rue for the supply of halfpenny, three-halfpenny, and two-penny stamps; absence of competition as regards post cards, &c., 1670-1675. 1677-1681. 1788-1791—Statement as to De La Rue & Co. being the only firm in England which can print on either singly-fugitive or doubly-fugitive ink; competition, however, of other firms for the stamp contract in 1879; 1676, 1677. 1682-1686. 1711. 1762-1764. 1843-1845.

Delay between the acceptance in June 1879 of the tender for penny postage stamps and the completion of the formal agreement as prepared by the Solicitor to the Board of Inland Revenue, 1690-1703. 1864—Payment of about 10,000 l. received for the penny stamps supplied in 1880, the term of the contract having been for ten years subject to six months' notice, 1704-1707—Constant communication between witness and Mr. Cousins, when Controller of Stamps, respecting the contract business generally, 1708-1710. 1803-1806—Considerable sum lost by the firm during the first year of the penny stamp contract; this does not apply to the consolidated contract, 1712-1718. 1772. 1885-1860.

Positive denial that under the English and Indian contracts an excess of 60,000 l. a year is now being paid over the figures at which equally good articles could be procured from other firms, 1719-1722—Tender just submitted (1st May) for the new Indian contract; previous negotiation with the Inland Revenue Board in which the firm offered to make substantial reductions, 1723-1732—Harsh treatment of the firm in the negotiations having been broken off, and in public competition having been resorted to, after increased concessions had been offered in a confidential communication to Mr. Purcell, 1725.

Witness declines to give any information respecting the reduction in the price of material since the tender of his firm for the consolidated contract in 1880; 1733-1738—He refuses also to particularise the sources of supply of material; portion of the supply obtained from Germany, 1739-1742.

Entire dissent from a statement that under the Indian contract there was an excessive charge of 9,000 l. upon a payment of 19,000 l. for certain envelopes, 1743—Explanation respecting the interval between the acceptance of the penny stamp contract and the first delivery of stamps, 1748-1761—Reference to the re-organisation of business as having had nothing to do with the penny stamps but as having followed upon the consolidation of contracts in 1880; 1765-1771.

Conclusion

Report, 1888—continued.

De La Rue, Warren William. (Analysis of his Evidence)—continued.

Conclusion that the acceptance on 27th June 1879 of the tender for stamps had the effect of a binding agreement; instant action taken thereon, 1783-1787. 1794—Explanation that the contract for post cards, wrappers, and envelopes was completed on 6th February 1880, whilst a separate tender for the halfpenny, penny-halfpenny, and twopenny stamps was not sent in till the following day, 1791-1802.

Witness repeats that the scheme discussed between Sir Charles Herries and himself as regards post cards, &c., was a fair and reasonable one, the former having moreover made careful investigations on the part of his Board, 1810-1820. 1846-1848—Reduction of fifteen per cent. made in the price of envelopes, witness submitting that those supplied under the contract were very superior to some cheaper ones shown to him by Sir Charles Herries, 1813, 1814. 1817-1823.

Further explanation relative to the attendance of witness (as Deputy Engraver to the Inland Revenue Board) at the numerous meetings of the Committee appointed to consider the designs for new stamps; he expended a considerable sum on experiments for the Committee for which he has never been recouped, 1824-1835—He did not advise the Committee as to the adoption of fugitive-ink printing, this system or process having been accepted long before, 1835-1845.

Belief that better terms would not have been obtained if there had been open competition for the supply of post cards, &c., 1846-1848—Exception further taken to the calculations of Mr. Purcell, more especially in allowing only fifteen per cent. for fixed expenses, renewal of plates, &c., 1849-1857.

[Second Examination.]—Explanation that the first delivery of stamps under the tender of May 1879 was not till 21st November; grounds for concluding that this was only nine days behind time, 1894.

Correction of former statement as to the appointment of Deputy Engraver to the Inland Revenue Board being entirely honorary, 1894—Witness has not however made any claim upon the Board for his services on the Committee appointed to consider the designs for stamps, 1894.

Statement as to the great increase of cost and of trouble under the new system of printing the stamps in two colours, instead of in one, 1894—Further explanation that the representative value of the stamps and other articles supplied by Messrs. De La Rue to the Imperial and Indian Governments amounts to about eighteen millions sterling, 1895-1900—Supplies provided also for the different colonies and for several foreign Governments, 1901-1904.

Deputy Engraver to the Inland Revenue Board. Witness is Deputy Engraver to the Board of Inland Revenue; honorary services rendered in that capacity in the matter of the official inquiry respecting the designs for stamps, *De La Rue* 1633-1635. 1773-1780.

Witness explains that his appointment as Deputy Engraver is not entirely honorary; he has not, however, made any claim upon the Board for his services on the Committee appointed to consider the designs for stamps, *De La Rue* 1894.

Dover (Mail Service). Numerous mails dispatched from, and arriving at, Dover, so that a Commander Superintending has been maintained at that port for many years; cost entailed thereby, *Sir S. A. Blackwood* 599-601. 610-621. 678-683. 703.

Explanation relative to the large excess of premiums over penalties under the contract for the service between Dover and Calais, *Sir S. A. Blackwood* 697-702.

Further details respecting the duties discharged by the officer in charge of the mail service at Dover, the remuneration paid to him, and the expenses of the establishment generally at that port, *Sir S. A. Blackwood* 821-845. 849, 850.

Objection to any disturbance of the existing mail contract between Dover and Calais (as regards the large sum paid in premiums), though the contract is terminable on six months' notice, *Sir S. A. Blackwood* 846-848. 851-853.

Witness, who is Captain Superintending the Post Office Packet Establishment at Dover, receives from the Post Office a total of 568 l. a year, the total cost of the establishment at Dover being 863 l. a year, *Sir T. Bruce* 2263-2269—He submits explanations in detail respecting the duties discharged by him and the staff under him, not only for the Post Office, in connection with the mails, but for the Admiralty, in connection with troops and stores, &c., *ib.* 2270-2286.

Witness had retired from the navy before his appointment at Dover, and was awarded 400 l. a year by the Admiralty on retirement; loss of this allowance in view of his being a paid officer of the Post Office, *Sir T. Bruce* 2273. 2278-2280—Exceptional course pursued as regards witness not receiving any pay whatever from the Admiralty, *ib.* 2280.

There are twelve mail services through Dover, day and night, and witness attends on the

Dover (Mail Service)—continued.

the pier at least once every day, except on Sunday, when he only attends when an Indian mail comes in, *Sir T. Bruce* 2280—Witness is always at his place, and is not a higher salaried officer doing nothing, *ib.*—Opinion that the work can be properly done only by a naval officer, *ib.* 2280-2286.

Recommendation by the Committee that in the event of a vacancy occurring in the office of the Commander Superintending, Government should take into consideration the necessity of maintaining this exceptional service, *Rep.* v.

Du Cane, Sir Charles, K.C.M.G. (Analysis of his Evidence.)—As Chairman of the Board of Customs, witness submits Treasury letters of 8th March 1887 and 3rd March 1888, testifying to the careful and economical preparation of the Customs Estimates for 1887-88 and 1888-89; 2634-2637.

Information respecting the several items of increase and decrease in the Estimates of the present year, the net decrease being 13,928 £, as compared with 1887-88; 2638-2650—Charge made in the Estimates for the Customs establishment in the Isle of Man, the amount being repaid from the Inland Revenue, 2651-2654—Increase of 30,320 £ in the charge for superannuations and compensations during the last five years; saving on the other hand of 99,185 £ in the re-organisations and reductions of staff, 2655-2669—Reduction in the cost of collection from 4 £ 10 s. 8 d. per cent. in 1883 to 4 £ 6 s. 8 d. in 1888; 2668.

F.

Fawcett Re-Organisation Scheme (Post Office and Telegraph Department). Report by the late Professor Fawcett, dated 13th June 1881, proposing certain improvements in the pay of sorting clerks and telegraphists; reply thereto on the part of the Treasury, *App.* 309-315.

Letter from Mrs. Fawcett to the Chairman of the Committee, dated 16th May 1888, upon the subject of the increase in the proportion of expenditure to revenue during and since the time Professor Fawcett was Postmaster General; explanation of the grounds upon which Mr. Fawcett's scheme of salaries was based, *App.* 308.

See also Post Office. Telegraph Department.

Forman, H. Buxton. (Analysis of his Evidence.)—Witness, who is a principal clerk in the Post Office, was employed last year in conducting negotiations at Paris and Rome respecting the transit payment to France and Italy for letters and post cards, 1905-1909—Part taken in the negotiations by the Agents General of the Australian Colonies, who accompanied witness to Paris, 1907-1909. 1929.

Accomplishment of the object of the mission as regards transit rates, witness having obtained a reduction of about one-third in the charge from Calais to Brindisi; saving thereby of about 20,000 £ as compared with the payments in 1886; 1910, 1911. 1928-1932—Accomplishment also of the further object of the mission as regards the recovery of the liberty which the Post Office had foregone in 1880 of sending letters to all parts of the East by the long sea route at a lower tariff than is charged to the public for letters by way of Brindisi, 1910-1915.

Statement of the terms of the arrangement of 1880 with France and Italy for conveyance, *via* Brindisi; modified terms now in operation, 1916-1932—Minimum payment of 30,000 £ a year to France, and of 20,000 £ a year to Italy for the Indian and Australian mails once a week to and from Brindisi; subject to this payment all the mails may be sent by long sea, 1933-1937.

Partial representation of the Australian Colonies at the Lisbon Conference three years ago, 1938-1941—Payment made to porters at Calais and Brindisi; advantage if this were included in the charge made to the French and Italian Governments, 1942-1953—Means of arriving at a rough calculation of the weight of mails sent to places on the Continent, 1954-1956.

Furniture (Public Departments). Statement showing in the case of furniture the large economy effected through the action of the Office of Works in supplying the Public Departments, *Primrose* 2674-2681. 2746-2751—Value of the check of an independent department, *ib.* 2681-2698.

Requisitions for furniture for local post offices sent in the first instance to Leeds or Bristol; approval necessary on the part of the Office of Works in London before any considerable expenditure is incurred, or in the event of any question of principle being involved, *Primrose* 2684-2686—Result of witness' experience that his department has not had any serious difficulty with the Post Office upon questions of furniture, *ib.* 2689. 2697.

H.

Halifax, Bermuda and Jamaica (Mail Service). Large expenditure for other than postal services in connection with the conveyance of the mails between Halifax, Bermuda, and Jamaica, *Sir S. A. Blackwood* 951.

I.

Income Tax. See Assessors. Collection of Taxes. Special Commissioners, &c.

INDIA OFFICE (CONTRACTS FOR STAMPED PAPER, STAMPS, ENVELOPES, &c.)

Considerable saving expected under a new contract about to be made for Indian paper; conditions to be prescribed as to the first supplies, *Sir A. West* 1053-1056. 1109-1113.

Duties undertaken by the Inland Revenue Department for the last two years, respecting the supply of stamps, &c., for the Indian Government; particulars respecting the steps taken on the advice of witness for resorting to competition, *Purcell* 1492-1494. 1554-1558 — Very large saving expected in the cost of post cards, stamped papers and other articles under the new contracts for the India Office; estimated saving of 14,500*l.* a year on a sum of 34,000*l.*, *ib.* 1492-1494.

Calculated net profit of 50 per cent. in the case of Indian postage envelopes; offer made by a firm in London to supply them at 50 per cent. less than the India Office were paying, *Purcell* 1492.

Very imperfect information on which Mr. Purcell stated that another firm offered to supply envelopes for India at half the price obtained by witness' firm, *De La Rue* 1620, 1621.

Supply of stamped papers by the firm to the Government of India, the stamps being printed in doubly-fugitive ink; no other firm in England can use this process, *De La Rue* 1621, 1622 — Comment upon Mr. Purcell's evidence as to the probable reduction under the impending competition for the supply of Indian stamped paper, *ib.* 1622.

Re-organisation and great increase of cost entailed upon the firm in connection with the contract for the supply of Indian adhesive stamps; application made on this ground for an extension of this contract and of that for stamped papers, *De La Rue* 1635, 1636 — Explanation that it was perfectly well known in the Inland Revenue Department and in the India Office that the firm were prepared for a reduction of price under the stamped papers contract, *ib.* 1636. 1807-1809.

Tender first submitted (1st May) for the new Indian contract; previous negotiation with the Inland Revenue Board in which the firm offered to make substantial reductions, *De La Rue* 1723-1732 — Entire dissent from a statement that under the Indian contract there was an excessive charge of 9,000*l.* upon a payment of 19,000*l.* for certain envelopes, *ib.* 1743.

Witness submits a letter from the India Office, dated 3rd June 1886, that being the time when the Inland Revenue Board were requested to undertake the control of all contracts between the Secretary of State for India and Messrs. De La Rue, *Robinson* 1893.

Statement as regards the contract for the Indian stamped paper, that the competition is not yet decided, witness being reluctant meanwhile to supply information as to the conditions of tender, *Sir A. West* 3132-3146. 3156-3159.

Copy of contract for stamped papers for the Government of India, together with Schedule of Articles to be supplied and conditions of tender, *App.* 283-286.

Circular letters from the Inland Revenue Board to competing firms, dated 27th February and 27th March 1888, together with Memorandum of supplementary information, *App.* 287, 288.

Letter from the India Office to the Board of Inland Revenue, dated 3rd June 1886, upon the question of the latter undertaking the control and superintendence of all contracts between the Secretary of State for India and Messrs. De La Rue, *App.* 301.

Letter from Mr. J. A. Godley to the Chairman of the Committee, dated 20th June 1888, stating that the value, based on annual average demands, of the contract about to be entered into with Messrs. De La Rue (whose tender was the lowest) is 19,928*l.*; *App.* 316.

Indian Mails. See Australian and Indian Mails.

INLAND REVENUE:

1. *Re-organisation of In-door and Out-door Departments; Considerable Economy thereby.*
2. *Extension of the System of Seven Hours' Work daily; Increased Pay in consideration thereof.*
3. *Superannuation Charge.*
4. *Boy Clerks and Women.*
5. *Suggestions for the Appointment in future of Lower Division Clerks, exclusively, at reduced Salaries on Entry; also for the Abolition of certain Offices.*
6. *Strong Advocacy of an Amalgamation of the Inland Revenue and Customs Departments.*
7. *Reduced Cost of Administration per Cent. since 1847-48.*
8. *Buildings and Repairs; Supply of Furniture.*
9. *Other Details on various Points.*
10. *Official Explanations accompanying Estimates for 1888-89.*
11. *Recognition by the Treasury of the Care and Economy shown in the Preparation of the Estimates.*
12. *Summary by the Committee, and Conclusions arrived at.*

1. *Re-organisation of In-door and Out-door Departments; Considerable Economy thereby:*

Large decrease under the Sub-Head, "Salaries, Wages, and Allowances in addition to Salaries," due chiefly to the re-organisation of the In-door Department, and the large reduction of staff, through the extension of the system of seven hours' work daily, *Sir A. West 2820-2841*—Reduction of cost by the re-organisation, after allowing for the increased charge for superannuation, *ib. 2820-2841*—Ultimate reduction of 237 clerks by the re-organisation scheme, *ib. 2822-2826*.

Similar principles observed in the re-organisation of the out-door as of the in-door service, the work of the individual staff being increased, with some addition to their pay, *Sir A. West 2850*.

Further reference to the reduction effected by the re-organisation in the out-door department; dissatisfaction, however, among the junior officers through their promotion being retarded, *Sir A. West 2932-2940*.

Further statement as to the large decrease of charge consequent upon the re-organisations of the in-door and out-door services respectively, the total net decrease being 16,407 *l.*; *Sir A. West 3105-3110*—Large reduction of numbers further adverted to; permanent reduction of charge on this score, *ib. 3106. 3130, 3131*.

Anticipated saving of about 15,000 *l.* a year for the next three years as a result of the re-organisation, *Sir A. West 3111-3114*.

2. *Extension of the System of Seven Hours' Work daily; Increased Pay in consideration thereof:*

Increased pay of 30 *l.* a year given to each of the upper division clerks in consideration of the extra hour of daily service; this applied to eighty-one clerks, exclusive of those who were promoted, *Sir A. West 2829-2848*—Satisfaction given generally in the office by the foregoing arrangement, *ib. 2829. 2844*—The lower division clerks have always been on the seven hours' system, and received no increase of pay, *ib. 2831*.

Maximum salary of 600 *l.* to which the addition of 30 *l.* a year applied; replacement of this class in future by lower division clerks at much lower salaries, *Sir A. West 2832-2834. 2842-2849*—Satisfactory working of the system of seven hours' daily work, *ib. 2968-2971*.

3. *Superannuation Charge:*

Addition of 24,750 *l.* to the Superannuation Vote, due mainly to the re-organisation; large reduction, however, since 1850 in the proportion of pensions to salaries, whilst the charge will, in future, steadily decrease, *Sir A. West 2877-2879*—Estimated charge of 230,780 *l.* in 1888-89 for pensions, the charge for salaries and wages, exclusive of poundage, being 1,095,000 *l.* *ib. 2955-2959*.

Facility in supplying a return of all the pensioners of the Inland Revenue Department, 1,500 in number; the expense would be considerable, *Sir A. West 2961-2965*—Rule that no officer under the age of forty receives superannuation, *ib. 2974, 2975*.

Examination as to the probable increase in each of the next three years in the charge for superannuation to be set off against the decreased charge for salaries; material reduction eventually through the diminution of staff, *Sir A. West 3115-3131*.

Information

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4. *Boy Clerks and Women:*

Information respecting the services of boy clerks, and their opportunities for competing for clerkships; satisfactory services of these, as well as of women and type-writers, *Sir A. West*, 2976–2984.

Statement as to the women having no claim to superannuation, *Sir A. West* 2981–2988 — Employment of eleven women in the Department who are occupied mainly as type-writers, and in the issue of postal orders, at weekly wages, *ib.* 3037, 3038.

5. *Suggestions for the Appointment in future of Lower Division Clerks, exclusively, at reduced Salaries on Entry; also for the Abolition of certain Offices:*

Decided opinion of witness that all future vacancies in the Inland Revenue Department can be efficiently filled by lower division clerks; large saving thereby, *Sir A. West* 2880, 2881. 2996–2999 — If effect were given to the views of witness there would never be an examination for Class I., *ib.* 2880. 2996–2999.

Economy also by not filling up many offices when vacancies occur, *Sir A. West* 2881. 3000–3003 — Further economy to be secured by reducing the salaries on entry to the service, these being unnecessarily, if not injuriously, high at present, *ib.* 2894–2896.

6. *Strong Advocacy of an Amalgamation of the Inland Revenue and Customs Departments:*

Enormous economy by an amalgamation of the Inland Revenue and Customs, witness having long advocated this reform, *Sir A. West* 2881–2884 — Ever since he has been at the Board witness has been strongly in favour of amalgamation, *ib.* 2882.

Efficiency and simplicity, as well as economy, by the proposed consolidation of the Customs and Inland Revenue Departments, *Sir A. West* 2947–2954 — Official scandal in there being some twenty-five places where there is a collector of Inland Revenue in one part of the town, and a collector of Customs in another, *ib.* 2952.

Scheme of amalgamation in 1881 already carried out to some extent as regards the warehouses, by which there has been a saving of from 15,000 *l.* to 20,000 *l.* a year, *Sir A. West* 2952, 2953 — Anomaly in the co-existence of two Boards and two enormous offices within a mile and a half of each other, *ib.* 2954.

7. *Reduced Cost of Administration per Cent. since 1847–48:*

Reduction in the cost of collection, from 4 *l.* 8 *s.* 5 *d.* per cent. in 1847–48, to 3 *l.* 8 *s.* per cent. in 1886–87; great increase during this period in the gross receipts of Inland Revenue, and in the gross expenses of collection, *Sir A. West* 2850–2852.

8. *Buildings and Repairs; Supply of Furniture:*

Illustration in the case of the Inland Revenue Department of the economy consequent upon the transfer to the Office of Works of the maintenance and repair of buildings; still greater saving since the latter department has been entrusted with the provision of furniture for the former, *Primrose* 2674. 2677, 2678. 2692, 2693. 2739–2751 — Belief that the Inland Revenue Department is satisfied with the way in which work is done for them by witness' department, *ib.* 2694.

9. *Other Details on various Points:*

Saving under the Sub-Head, "Travelling and Subsistence Allowances," by reason of the facilities given by the Post Office for remittances by traders, *Sir A. West* 2853.

Gradual reduction for several years past in the charge for "Salaries, Poundage, and Allowances of Distributors and Sub-distributors of Stamps;" large sums formerly received as poundage, *Sir A. West* 2853, 2854.

Increased charge, temporarily, of about 30,000 *l.* under the Sub-Head, "Poundage, &c., to Collectors and Receivers of Taxes," due mainly to the triennial assessment under Schedules A. and B.; particulars hereon as to the poundage paid to the clerks to the Commissioners, of whom there are about 800, and to the assessors and collectors, respectively, of whom there are, jointly, over 10,000, *Sir A. West* 2854–2873. 2908–2929. 2945, 2946. — Explanation that no Inland Revenue officer is paid by poundage, *ib.* 2871.

Summary of the causes of increase or decrease under several other Sub-Heads; reference especially to the heavy charge for copies of Poor Rates, &c., for income-tax purposes, this occurring every three years, *Sir A. West* 2874–2876. 2966, 2967. 2994, 2995 — Reform already effected by which 6,000 *l.* has been saved in obtaining from the Probate Office copies of wills in Scotland, *ib.* 2874.

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9. *Other Details on various Points*—continued.

Increased payment of the superior officers so that the prizes on promotion, though fewer, are more valuable, *Sir A. West* 2937.—Advantage of the Inland Revenue Service, in so far that any man entering at the lowest position may rise to the highest, *ib.* 2940.—Satisfaction given by the officers of Inland Revenue in the collection of Agricultural Returns, *ib.* 2972, 2973.

10. *Official Explanations accompanying Estimates for 1888-89:*

Letter, dated 27th December 1887, containing estimates for the salaries and expenses of the Inland Revenue Department, for the year 1888-89, with explanations on the score of pensions, &c., *App.* 306.

11. *Recognition by the Treasury of the Care and Economy shown in the preparation of the Estimates:*

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12. *Summary by the Committee, and Conclusions arrived at:*

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Summary of the causes of increased charge, the total being 72,363 *l.*; item of 24,750 *l.* in respect of increased superannuation and compensation allowances, *Rep.* iii.—Amount of increase due to the retirement of men over sixty years of age, and of more than forty years' service, and who had earned their retirement, *ib.*

Gradual reduction since 1860 in the per-centage charge of superannuations to salaries; further decrease going on, *Rep.* iv.—Large reduction since 1847-48 in the per-centage cost of collection of the revenue, *ib.*

Reference to the suggestion by Sir A. West that in future lower division clerks will be fully competent to fill vacancies as they arise, *Rep.* iv.

Importance attached to the views of Sir Algernon West in favour of a consolidation of the Customs and Inland Revenue Departments, *Rep.* iv.

See also *Assessors (Income Tax).* *Collection of Taxes.* *Contracts.* *Deputy Engraver, &c.* *India Office.* *Leave.* *Office Hours.* *Post-Cards, &c.* *Post Office, 7.* *Special Commissioners of Income Tax.* *Stamps.* *Thompson, G. A.*

L.

Leave (Civil Servants). Modification suggested on the score of leave; for the first few years three weeks should suffice, to be increased subsequently to a month, and eventually to six weeks, *Sir A. West* 2897.

M.

Maintenance and Repairs of Buildings. See *Works and Repairs.*

N.

Newfoundland Mail Service. Charge of 4,000 *l.* a year for the new Newfoundland Service, which is, in reality, a grant-in-aid to the Colony, *Sir S. A. Blackwood*, 951.

Newspapers. Loss by the Post Office on the transmission of newspapers, *Rep.* vii.

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O.

Office Hours (Post Office and Inland Revenue). Office time of the clerical staff of the Post Office for six hours daily, and of the sorters for eight hours; large amount of overtime occasionally in the latter branch, this not applying equally to the clerical department, *Sir S. A. Blackwood* 104-119.—Very short time occupied by luncheon out of the six hours for which the clerks officially attend; frequent attendance beyond six hours without payment for overtime, *ib.* 192-197.

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Office Hours (Post Office and Inland Revenue—continued.

Ordinary hours of attendance of Post Office clerks from ten to four in certain offices, many of the clerks working for longer hours without extra pay, *Sir S. A. Blackwood* 1872. 1874, 1875—Varying hours of attendance of the manipulative staff, telegraph messengers, linemen, and others, *ib.* 1872. 1886, 1887.

Belief that in the Inland Revenue Department seven hours' work daily is operating well, and that the extra hour produces one-sixth more work, *Sir A. West* 2968-2971.

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Overtime (Post Office). Statement by the Treasury of the rates for overtime; enhanced payment for work at unseasonable hours, *Sir S. A. Blackwood* 120, 121—Overtime employment of females in the Savings Bank Department for some weeks at the commencement of each year; readiness with which the work is undertaken, *ib.* 122, 123. 361, 362.

Unfounded character of some complaints as to men being compelled to work for an unduly long time, *Sir S. A. Blackwood* 126, 127—Doubt as to the actual expense on the score of overtime, *ib.* 135-138.

Impossibility of dispensing with overtime and of depending entirely on the regular staff on occasions of great pressure, such as Christmas and New Year's Day; discontinuance of overtime as much as possible, *Sir S. A. Blackwood* 330, 331. 358-364.

Costly labour involved if detailed returns be required as to the number of hours of overtime during the year, the wages for overtime, and the increased cost entailed by absence through sickness, *Sir S. A. Blackwood* 421-424. 803.

Average of about twenty minutes per officer per day as the amount of overtime at thirteen of the largest provincial offices; total of 15,334 l. as the cost, *Sir S. A. Blackwood* 1872.

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Packet Service (Post Office). Information respecting several variations under the Sub-heads of the Packed Service Vote, *Sir S. A. Blackwood* 577 *et seq.*—Causes of increase in the cost of the Services to the United States and Newfoundland, *ib.* 577-585—Sundry details, financially, respecting the Australian and Indian Services, *ib.* 586 *et seq.*

Consideration to be given to the suggestion for transferring to the Packet Vote the cost of carriage in private ships, *Sir S. A. Blackwood* 602-605.

Considerable reduction in the per-centage of cost in respect of the packet service owing to the increased competition, *Sir S. A. Blackwood* 720-722—Belief that large subsidies are paid by the French and German Governments for packet services, *ib.* 786-789.

Statement on the question of re-transferring to the Admiralty Votes portion of the cost incurred by the Post Office for packet services, *Sir S. A. Blackwood* 790-793.

Considerable loss in connection with packet services in Scotland to outlying islands, *Sir S. A. Blackwood* 950—Reference to the mail contract between Holyhead and Kingstown as not really based upon commercial principles, *ib.* 951.

Comparison of working expenses and revenue, showing per-centages of increase or decrease under principal heads of expenditure, for each year from 1879-80 to 1889-90; *App.* 320, 321. 324.

Summary of the main items of decrease and increase in respect of the Packet Service Vote, *Rep.* v—Inclusion in the Estimates, for the first time, of a Sub-head for Appropriations-in-Aid; total of 160,360 l. received from Indian and Colonial contributions, *ib.*

Parcel Post. Increase of 8,057 l. for extended employment of unestablished force in connection with parcel work; continuous character of this increase, *Sir S. A. Blackwood* 4. 6. 7—Large increase of expenditure through the Parcel Post both in London and the country, *ib.* 141, 142—Assistance provided for rural postmen when the parcels exceed a certain weight; authority exercised in the matter by the rural postmasters, *ib.* 143-145.

Large proportion of increased expense due to the Parcels Department; increasing revenue from this branch, *Sir S. A. Blackwood* 204-214—Doubt whether the Parcel Post is at present self-supporting, *ib.* 366-368. 398, 399.

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necessarily kept of the number of parcels on account of the arrangements with the railway companies, *Sir S. A. Blackwood* 816. 820.

Considerable loss involved hitherto in the Inland Parcel Post, the establishment of which forced upon the Post Office, *Sir S. A. Blackwood* 951.

Return of parcels carried in 1887-88; total postage of 811,794 *l.*, of which 401,295 *l.* was paid to railway companies, *App.* 255—Number of parcels delivered in each year since 1884; *ib.* 260.

Great doubt whether any profit is derived from the Parcel Post, *Rep.* vii.

Patey, Charles Henry Bennett, C.B. (Analysis of his Evidence.)—Witness, who is Third Secretary of the Post Office, is in charge of the Telegraph Department, 1957, 1958.

Increase of 86,588 *l.* in the Telegraphs Estimate for 1888-89, the total of the Estimate being 2,036,836 *l.*; 1969—Automatic character of the increase for salaries and wages, consequent upon increase of business, 1959. 1961, 1962—Decrease of 20,000 *l.* in respect of the provision made for sites and buildings, 1959, 1960—Large increase in 1888-89 as compared with 1879-80 in the percentage of salaries and wages to gross revenue; large portion of this increase due to the improved scales of pay under the Fawcett scheme, 1962, 1963.

Nearly stationary proportion of the cost of maintenance to gross revenue for the last ten years, this being due to careful administration, 1964-1967—Exceptionally large outlay on works and extensions in 1883-84, and 1884-85, in view of the introduction of the sixpenny rate, 1968.

Explanations in connection with several tables and papers showing expenditure, receipts, &c., on account of the Telegraph Service, 1969 *et seq.*—Statement as to the account prepared on commercial principles not having been presented to Parliament for any year since that ending 31st March 1881, though it has been sent to the Treasury each year down to the present time; difficulty as to the charge for buildings occupied jointly by the Post Office and Telegraph Department, 1974-1983—Particulars respecting the different items included in the Account drawn up on a commercial basis, as for the year 1886-87; 1984. 2094-2108.

Reference to the Capital Account presented yearly to Parliament as showing the amount paid for telegraph undertakings distinct from the other capital sums; total of 7,808,378 *l.* paid by way of purchase, the extensions amounting to 2,058,205 *l.*; 1984—Contribution made annually to a depreciation fund for submerged cables, the life of a cable being taken at twenty years, 1984-1986.

Result of the accounts as regards the varying amount available in different years (on commercial principles) for dividend or interest on capital; very small balance of profit in 1887, no interest being charged upon capital, 1984. 1986-1992. 2102-2108—Increase in the capital expenditure subsequently to 1879 as the payments by way of purchase had not all been made, the arbitrations not having been completed, 1993-1997—Total of 10,880,571 *l.* as the amount of capital stock, after deducting two sums cancelled in 1870 and 1871; 1998-2002.

Reference to the amount of purchase-money as being now considered to have been too high, 2003, 2004—Difficulty in ascertaining whether the telegraph systems of France and Germany are conducted at a profit; loss in the case of most of the Continental countries, 2005, 2006—Lost of nearly 200,000 *l.* a year entailed by the press messages in the United Kingdom, 2007, 2008—Considerable amount of unproductive work done for other departments; credit taken for this in the commercial balance sheet, 2009-2012. 2094-2097.

Explanation respecting the enormous increase of messages sent for the railway companies, gratuitously, as a condition of the purchase; total of 961,000 messages in 1887 as compared with 97,000 in 1871; 2012-2019. 2181-2185—Loss of nearly 50,000 *l.* a year through there being no revenue from the railway messages, 2016, 2017.

Constant pressure upon the part of Parliament and of the public for extension of telegraphic accommodation, so that the Department is constrained to administer the service at a loss in some directions; reference especially to extensions in Scotland and in the Western Hebrides, 2020-2023. 2186-2198—Explanation respecting certain differences between the figures on the commercial balance sheet and the Parliamentary figures, 2024-2039—Statement as to the travelling expenses of provincial surveyors not being charged in the Telegraph Vote; arrangement as to the proportion of salaries charged to the Post Office and the Telegraph Department respectively, 2038-2045.

Information respecting the expenditure on stores, as distinct from materials; necessity of a staff of experts in order for the Audit Office to apply a test audit to the stores, 2046-2057. 2255—Explanation in regard to the charge in the Estimate for private telegraphs, and the arrangements for their working; reasons for not having a separate staff for the purpose, 2058-2092. 2109-2112.

Credit

Patey, Charles Henry Bennett, C.B. (Analysis of his Evidence)—continued.

Credit taken on the commercial account for extra receipts for waste paper, &c., 2098-2101—Means of supplying information as to the amount expended by the Imperial and Colonial Governments in cable messages; royalty or charge on all messages from abroad passing over the Post Office telegraphs, 2109-2132.

Particulars with further reference to the loss by Press messages, whilst the rates can only be altered by Act of Parliament; data for the calculation that these represent a loss of about 200,000 *l.* a year, 2132-2139. 2163-2167. 2178-2180—Large business done by the telephone companies, but without seriously interfering with the work of the Telegraph Department, 2140-2148.

Increasing number of new instruments, posts, and wires, but without any material increase likely to arise in the cost of maintenance of the plant generally, 2151-2161—Explanation of the mode of dealing with old stores and apparatus, and of the practice as to repairs and as to sales of obsolete stores; opinion that these arrangements have worked very well, 2168-2177.

Further particulars in connection with the relative increase of salaries and staff under different heads, in the present Estimates; total of 9,616 *l.*, inclusive of the increase for labour, 2199-2207. 2224-2229. 2240-2242—Large apparent increase for materials, an insufficient sum having been voted in the two previous years, 2208-2210.

Immense increase in the number of messages dealt with by the railway companies, there being also a slight increase of rate, the latter question not being settled; additional charge of 5,000 *l.* in respect of these messages, 2211-2223—Explanation restricting the increased charge for cost of electric lighting at the West Chief Office; also of the increased cost for water supplies, 2230-2239.

New charge for compensation to railway officials for loss of poundage on sale of stamps; particulars hereon, 2243, 2244—Variation in the annual charge for uniform or clothing; reason for increase in 1888-89, whilst there will be a decrease in 1889-90; 2246-2249—Very little variation in the charge for paper, &c.; reference hereon to the gradual diminution in the use of the Wheatstone and Morse instruments, 2250-2254—Book value placed upon poles and other stores kept for constant use, whilst on some of the stores in stock a depreciation is put, 2256-2259—Reference to the charge for superannuation as beyond the control of the Department, 2260-2262.

[Second Examination.]—Similar amount taken this year and last year for extensions, for re-arrangement of existing plant, for private telegraphs, and for Government Department telegraphs; probability that in future years a much larger sum will be required under some of these heads, 2287-2292—Great increase of capital outlay when it is found necessary to lay additional wires underground instead of overground; tenfold cost for the first wire if laid underground, this rate of increase gradually diminishing according as more wires are laid, 2292-2306. 2539-2545. 2568-2576. 2598-2609.

Further explanation as regards Capital Account (in connection with the Commercial Statement), the aggregate amount being now 12,091,894 *l.*, including not only the original cost on purchase but the cost of sites and buildings, 2307-2342—Circumstance of the Commercial Statement not including any charge for depreciation of works or buildings, but only of submarine cables; efficient state in which the buildings and plant generally are maintained, 2340-2349. 2409-2420.

Examination in detail with further reference to the relative increase of revenue and of expenditure between 1870 and 1887, the result being that the accounts now show a profit of 77,000 *l.* on about 12,000,000 *l.* capital, without interest being charged, 2350 *et seq.* 2597—Consideration of the deficiency in different years as between the net revenue and interest at three per cent. (or about 360,000 *l.*) on the capital outlay; very different result if Government had not reduced the minimum charge for telegrams from one shilling to sixpence, 2363-2383. 2391. 2407, 2408. 2465-2477.

Dissent from the conclusion that the annual cost and working expenses generally are increasing per message or other unit of service rendered; lower cost of salaries in proportion to the number of messages in the last two years than in 1883-84; 2384-2392. 2546-2548.—Change of policy on the part of the Treasury about the year 1873 as regards extensions to country offices, when it was decided that such extensions should not be made unless the cost were covered by the receipts, 2393-2399. 2483-2485. 2520-2527—Direct consideration had to the question whether any new service will be remunerative, before it is decided to grant it, 2400-2406.

Large amount represented by the stock or plant in hand; increase from 207,000 *l.* in 1880 to 216,000 *l.* in 1887; 2421-2431. 2469-2464—Question considered as to the best means of re-arrangement in regard to the messages for railway companies; economy in the number of messages if the companies (being compensated) had to pay a small sum per message, or were charged the ordinary rate, 2432-2443—Consideration already given to the question of a compulsory deduction from salaries so as to provide a superannuation fund; decision adverse to this plan, 2447-2450.

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Patey, Charles Henry Bennett, C.B. (Analysis of his Evidence)—continued.

Doubt whether the Commercial Statement on the Telegraph Vote makes any allowance in respect of the establishment expenses of the Office of Works for services rendered by that Department, 2454-2458. 2481, 2482—Belief that the charge of the Stationery Office for printing and paper for the Telegraph Department includes a sum for establishment expenses of the former Department, 2478-2480—Comparison between the years 1881-82 and 1888-89 as regards gross revenue and expenditure; increase of about 380,000 £. in the gross revenue, and of about 670,000 £. in the working expenses, 2486-2494—Further explanations respecting the large increase, as since 1881-82, in the cost of staff, this being largely due to the Fawcett revision, 2495-2515. 2533-2538—Large increase of expenditure due to new wires and new force necessitated by the six-penny tariff, 2516-2519.

Very similar cost of maintenance of underground and overground wires, 2550-2552—Further information respecting telegraph extension in the Western Islands of Scotland and the number of messages sent, 2557, 2558—Provision of additional wires between large towns already served without asking for a guarantee, whilst inquiry is made and a local guarantee sometimes required before new wires are laid to villages, 2559-2567.

Grounds for the conclusion that there is a loss of about 200,000 £. a year on Press messages, 2577-2581—Arrangement as to a special wire being sometimes let to provincial newspapers at a rental of 500 £. a year; this hardly pays, 2582-2584—Opinion that telegraph clerks are not paid lower than clerks in other Departments, 2585—Charge of one halfpenny a word for each message received from the cable companies for transmission over the Post Office wires, 2591-2596.

Less cost of underground wires than overground wires if so many as seventy-five were laid; about equal cost if from thirty-five to forty were laid in each case, 2598-2609—Much larger loss on the country business than the town business, though the salaries are much lower in the country offices, 2611-2616—Limited increase of business in country districts; fresh guarantee required after seven years, when the offices do not pay, 2617-2626.

Reference to the extensions during the last three years as having been of the normal amount, 2627-2630—Large increase of net revenue if the shilling telegram of twenty words were re-adopted as the minimum; former average of about thirteen pence per message, whilst the present average is only eight pence, 2631-2633.

Penny Postage Stamps. See Stamps (Post Office, &c.).

Pensions (Civil Servants). Discontinuance since the Act of 1859 of the system of deductions from salaries in order to meet superannuation charges; advantage if some means could be devised so as to obviate the charge being directly voted by Parliament, *Sir S. A. Blackwood* 332-335—Consideration already given to the question of a compulsory deduction from salaries in the Telegraph Department, so as to provide a superannuation fund; decision adverse to this plan, *Patey* 2447-2450.

View (long held by witness) that the State is far too generous in the pensions which it pays to the Civil servants, *Sir A. West* 2882-2884. 2886, 2887—Practice, when witness entered the Service, of deducting 5 per cent. from salaries for superannuation; grievance in so far as this deduction did not eventually go to the widows and children of Civil servants, *ib.* 2886. 3004-3006.

Approval of a deduction of 5 per cent. from salaries as a means towards providing pensions, on condition that the deduction is treated as the money of the Civil servants (as regards eventual disposal), and is supplemented by the State for superannuation purposes, *Sir A. West* 2886-2894. 2897. 3004-3015—Explanation that witness does not propose that the Civil servants should bear out of their salaries the whole of the charge for pensions, *ib.* 2960.

POST-CARDS, STAMPED ENVELOPES, AND NEWSPAPER WRAPPERS:

1. *Statements on the part of the Inland Revenue Department respecting the Contract with Messrs. De La Rue and the Question of its Extension.*
2. *Payments and Prices under the Contract of 1880; Question of Profits under the Contract.*
3. *Explanations in detail on the part of Messrs. De La Rue; Correspondence with the Inland Revenue Board.*
4. *Minute by Sir Charles Herries in February 1880.*
5. *Price Charged to the Public for Post-Cards.*
6. *Annual Sale of Cards, Envelopes, and Wrappers.*
7. *Conclusions of the Committee.*

Explanation

Report, 1888—continued.

POST-CARDS, STAMPED ENVELOPES, AND NEWSPAPER WRAPPERS—continued.**1. Statements on the part of the Inland Revenue Department respecting the Contract with Messrs. De La Rue and the Question of its Extension:**

Explanation as to an existing contract in 1880, which had three years to run, for certain other articles having been terminated, and a new contract for post-cards, &c., made with Messrs. De La Rue after negotiation about the prices, but without competition; advantages obtained under this arrangement, *Sir A. E. West* 997. 1003. 1009 *et seq.*

Particulars as to the circumstances under which tenders were not invited in 1880 for the supply of stamped envelopes, post-cards, and other articles, the contract for which had at the time three years to run; conditions of the arrangement as to prices, &c.; under which a new contract for an extended period was made with Messrs. De La Rue for these supplies, *Robinson* 1172-1177. 1182-1209.

Reduction of 10 per cent. allowed by Messrs. De La Rue on cards and wrappers, and of 15 per cent. on envelopes; statement hereon upon the subject of the fall in prices in relation to this reduction, *Cousins* 1253. 1256-1262—Circumstance of Messrs. De La Rue having offered a reduction of 10,000*l.* on their contract for post-cards and wrappers, when it still had three years to run, if the contract were prolonged to seventeen years; witness was not consulted on this question, *ib.* 1343-1349.

Explanation that witness had nothing to do with the acceptance of Messrs. De La Rue's terms for the supply of post-cards, wrappers, &c.; pressure on the part of the Post Office as to the stamps supply which led to the foregoing contract being arranged without competition, *Cousins* 1354-1382. 1408-1414.

Offer by Messrs. De La Rue, in January 1880, to make a reduction of 10 per cent. under their contract for post-cards, wrappers, and envelopes, if extended for fifteen years; eventual extension for eight years, *Purcell* 1439.

Report made by witness on 13th November 1886, consequent upon an application by Messrs. De La Rue for an extension of their contracts; Minute made thereon by Sir Algernon West to the effect that the Board would not renew any contract without competition, *Purcell* 1496-1501—Unexpired term of about four years when Messrs. De La Rue applied in 1886 for an extension of their contracts as regards both the Post Office and the India Office; no reduction in price was offered, *ib.* 1543-1548.

Explanation with reference to former evidence (Q. 1545) that witness did not mean to imply that Messrs. De La Rue applied for an extension of their contract for post-cards, &c., without offering to make any reduction in price, *Purcell* 1865.

Letter from Messrs. De La Rue of 30th January 1880, adverted to as putting a strong pressure on the Inland Revenue Board in the matter of the contract for post-cards, &c., *Robinson* 1870.

Witness submits the Report by the Contractor of Stamps on the letter of 11th November 1886, from Messrs. De La Rue; memorandum thereon by the Chairman of the Board that he could not, under any circumstances, entertain Messrs. De La Rue's application for a renewal of the contract, *Robinson* 1891, 1892.

2. Payments and Prices under the Contract of 1880; Question of Profits under the Contract:

Belief that, at first, there was a loss to the contractors (Messrs. De La Rue), but that since the heavy fall in the cost of materials, the profits have been considerable, though nothing like 60,000*l.* a year; much lower terms expected under the next contract, *Sir A. E. West* 981-990. 1052-1058—Statement as to portion of the materials having been of foreign manufacture, *ib.* 981-984—Reduced cost at which post-cards could now be supplied, *ib.* 1035-1038. 1058, 1059. 1082-1084.

Much larger payments to Messrs. De La Rue under the contract for post-cards and other articles for which there was no public competition, than under the stamp contract, the latter, however, being the more important, *Sir A. E. West* 1114-1121. 1133-1139.

Examination to the effect that the large profits made by Messrs. De La Rue under their contracts have been mainly due to the great fall in the price of material; reference especially to the great reduction in the cost of production of post-cards, *Robinson* 1157-1166.

Witness has not formed any opinion as to the profit made by Messrs. De La Rue under their contract through the fall in prices, *Cousins* 1349,* 1350.

Total of about 99,000*l.* as the charge for post-cards, envelopes, and newspaper wrappers in the current year, *Purcell* 1448—Result of careful inquiries and calculations by witness that he considers a very large reduction in price could be obtained if there were now a competition for the supply of wrappers, envelopes and post-cards;

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belief, moreover, that at the time much lower prices might have been obtained if there had been competition, *Purcell* 1449 *et seq.*

Higher price of cardboard and of paper by about 33 per cent. in 1880 than at the present time, *Purcell* 1451. 1454. 1492. 1493. 1566-1570—Official report made by witness to his Board in February last, showing the result of his inquiries, *ib.* 1452. 1491, 1492.

Statement of the prices paid by the Post Office, and the prices charged to the public, for their post-cards, stout cards, wrappers, and envelopes, respectively; greatly reduced prices at which these articles could now be obtained, *Purcell* 1457-1460—Data for the calculation that, out of the total charge of 99,000 *l.* for the foregoing articles, 37,000 *l.* might be saved if the Inland Revenue Department were free to make a new contract; margin of 27,000 *l.* after deducting 10,000 *l.* for fall in prices, and after allowing a reasonable net profit, or 15 per cent. on the cost of materials, labour, and establishment expenses, &c., *ib.* 1460-1489. 1492, 1493. 1532-1541. 1563-1565. 1590-1595.

Conclusion that irrespective of the fall in prices an unduly large profit was made by Messrs. De La Rue, and that if there had been competition a much better offer would have been obtained in the open market, *Purcell* 1475-1489. 1492, 1493—Report made by witness to his Board in May 1885 respecting the prices paid for post-cards, he having previously visited the various continental stamp factories, *ib.* 1496.

Explanation that in his calculations as to the saving to be effected by competition for the supply of post-cards witness has not taken into account any economy that may arise through improvement in the processes of manufacture, *Purcell* 1507, 1508. 1562.

Examination to the effect that witness is not conversant with the circumstances and considerations which actuated the Inland Revenue Board at the time of the contract of 1880, but still maintains that a large saving might have been secured if there had been competition, though prices were then some 33 per cent. higher than at the present time, *Purcell* 1509-1526. 1532-1542. 1583-1589—Grounds for the conclusion that about 300,000 *l.* too much will have been paid upon the extended contract over a period of eleven years, *ib.* 1532-1541. 1582.

Reference to a Return showing the amount paid in each year to Messrs. De La Rue for adhesive postage stamps, and for post-cards, wrappers, and envelopes, *Purcell* 1549-1551.

Explanation that witness' calculations as to the profits of Messrs. De La Rue were not in any way based upon a confidential letter received from the firm, *Purcell* 1865, 1866.

Statement of prices, under the contract of 1880, for the manufacture and supply of post-cards, *App.* 266.

Total annual payment for the manufacture of post-cards, newspaper wrappers, and envelopes, during the currency of the Consolidated Contract, dated the 25th March 1880; that is, for ten years to 1890-91, *App.* 270.

Letter from Mr. J. S. Purcell, as Controller of Stamps, to the Commissioners of Inland Revenue, dated 8th February 1888, submitting calculations in support of the conclusion that the prices under the contract with Messrs. De La Rue were unjustifiably high, and have admitted of exceedingly large profits to the contractors, *App.* 272, 273.

3. Explanations in detail on the part of Messrs. De La Rue; Correspondence with the Inland Revenue Board:

Proposal by witness' firm to the Board on 30th January 1880, submitting a scheme of economy and reform in accordance with the terms debated in detail between himself and Sir Charles Herries; large reduction required by the Board in the price of certain articles, which the firm would only partially concede, *De La Rue* 1606—Very full data in the possession of Sir Charles Herries for enabling him to test the fairness of the offer made by the firm on 30th January; not only was he convinced that the offer was fair and reasonable, but witness asserts that it was so, *ib.* 1608, 1609.

Summary of the savings effected by the State by reason of the reductions made in the original contract prices under the re-arrangement of 1880; total of about 22,000 *l.* a year, including 9,000 *l.* a year on the penny postage stamp contract, *De La Rue* 1610-1613—Entire dissent from the calculations and figures of Mr. Purcell, whereby he estimates at an absurdly large amount the profits made by witness' firm out of the contract in question, *ib.* 1615-1620.

Great increase since 1879 in the total quantities of cards, wrappers, and envelopes supplied under the contract; consequent reduction in the cost of production, *De La Rue* 1622—Advantage also to the firm through the remarkable decrease since 1879 in the prices

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prices of material, *De La Rue* 1622—Entire change since 1879 in the system of manufacture; illustration in the case of postcards, in the manufacture of which all the old machines have been discarded in favour of new inventions or improvements, *ib.* 1622-1624.

Exception taken to a suggestion that the contract prices should be reduced in view of the great fall in the cost of material; loss to the firm if there had been an increase of cost, *De La Rue* 1624-1627—Loss also if the consumption of post-cards, &c., had greatly fallen off, as has been the case in the matter of stamped envelopes, *ib.* 1627, 1628.

Very large staff employed by witness' firm in the inspection of post-cards and wrappers before their delivery; rejection of 8 per cent. of the cards through some defect or other, *De La Rue* 1628, 1629—Admission that owing to different causes the present prices of certain articles are excessive, more especially post-cards and Indian envelopes, *ib.* 1629—Statement that it is not the fact that the firm applied for an extension of their contracts without offering to make any reduction in the prices, *ib.* 1629-1631.

Reference to the letter of 11th November 1886 as not asking for any extension of the contract as regards post-cards, newspaper wrappers, and envelopes; offer made on the other hand to undertake certain work, free of charge, which is now done by the Inland Revenue Department, *De La Rue* 1635—There are at present from forty to fifty Government employes engaged at the works in reference to the different supplies, *ib.* 1636.

Reiteration of the conclusion that the proposals in the letter of 11th November 1886 were fair and reasonable, and that the firm have not been treated in the matter with the indulgence which they deserved, *De La Rue* 1636—Positive denial that under the English and Indian contracts an excess of 60,000 *l.* is now being paid over the figures at which equally good articles could be procured from other firms, *ib.* 1719-1722.

Harsh treatment of the firm in the negotiations having been broken off, and in public competition having been resorted to, after increased concessions had been offered in a confidential communication to Mr. Purcell, *De La Rue* 1725.

Witness declines to give any information respecting the reduction in the price of material since the tender of his firm for the consolidated contract in 1880; *De La Rue* 1733-1738—He refuses also to particularise the sources of supply of material; portion of the supply obtained from Germany, *ib.* 1739-1742.

Explanation that the contract for post-cards, wrappers, and envelopes was completed on 6th February 1880, whilst a separate tender for the halfpenny, penny-halfpenny, and twopenny stamps was not sent in till the following day, *De La Rue* 1791-1802.

Witness repeats that the scheme discussed between Sir Charles Herries and witness as regards post-cards, &c., was a fair and reasonable one, the former having moreover made careful investigations on the part of his Board, *De La Rue* 1810-1820. 1846-1848.

Reduction of 15 per cent. made in the price of envelopes, witness submitting that those supplied under the contract were very superior to some cheaper ones shown to him by Sir Charles Herries, *De La Rue* 1813, 1814. 1817-1823—Belief that better terms would not have been obtained if there had been open competition for the supply of post-cards, &c., *ib.* 1846-1848—Exception further taken to the calculations of Mr. Purcell, more especially in allowing only 15 per cent. for fixed expenses, renewal of plates, &c., *ib.* 1849-1857.

Communication from Messrs. De La Rue to the Inland Revenue Board, dated 30th January 1880, applying for an extension by fourteen years of their contract for post-cards, postage envelopes, &c., *App.* 257, 258.

Letter from Messrs. De La Rue to the Inland Revenue Board, dated 5th February 1880, upon the question of reduction in the price charged under the contract for postage envelopes; abatement of 5 per cent. offered as the greatest concession that could be made, *App.* 258, 259. 274, 275.

Letter from Messrs. De La Rue & Co. to the Board of Inland Revenue, dated 5th February 1880, submitting the claims generally of the firm to favourable consideration at the hands of the Board, *App.* 274, 275.

4. Minute by Sir Charles Herries in February 1880 :

Minute by Sir Charles Herries, dated 6th February 1880, agreeing to the proposal of Messrs. De La Rue, except that the period of the contract is to be for only ten years, *App.* 269.

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Advantage

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7. Conclusions of the Committee :

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Expediency of all such contracts, as those between the Inland Revenue Department and Messrs. De La Rue, being, whenever possible, thrown open to public competition, *Rep.* vi.

POST OFFICE :

1. *Salaries and Wages ; Increase consequent upon Increase of Work, and of Staff, and upon the Re-organisation Scheme of Mr. Fawcett in 1881.*
2. *Superannuation Charge.*
3. *Financial Operation of the Department with reference to the Question of Profit ; Comparative Revenue and Expenditure in different Years.*
4. *Sites and Buildings.*
5. *Repairs, Alterations, &c.*
6. *Number of Letters, and Weight of Mails.*
7. *Charge against the Post Office for Distribution of Inland Revenue Stamps.*
8. *Payments to Railway Companies.*
9. *Transit Rates paid to Foreign Governments.*
10. *Clothing Supplies.*
11. *Other Details on various Points.*
12. *Review by the Committee, and Conclusions arrived at.*

1. Salaries and Wages ; Increase consequent upon Increase of Work, and of Staff, and upon the Re-organisation Scheme of Mr. Fawcett in 1881 :

Summary of items of increase under Vote 3, amounting to 77,963 l.; item of 37,516 l. caused by increase of force and annual increments in salaries and wages, *Sir S. A. Blackwood* 3-5—Explanation respecting the permanent character of an increase of 18,450 l. for temporary force to meet augmentation of business in the Metropolitan District, and for substitutes for sick and absent officers, *ib.* 8, 9, 117-135—Amount of extra payments for Sunday duty in London; improbability of any diminution of this charge, *ib.* 10-12, 37-41.

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1. *Salaries and Wages, &c.*—continued.

Necessity of continuous increase of staff through the constant increase of work; means of ensuring efficiency combined with economy, there being no waste of labour; *Sir S. A. Blackwood* 266-276. 328, 329—Increasing cost of the Department generally, not only on the score of increased business and increased staff, but by reason of the constant demands for improved postal facilities, *ib.* 318-327—Reference to the Treasury control in the matter of salaries as not preventing reductions of staff or of pay by the Post Office authorities, *ib.* 345-348.

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Great increase in the charge for salaries and wages in 1887-88 and 1888-89, as compared with 1881-82; further increase expected for some time to come, *Sir S. A. Blackwood* 753-764. 775-780—Reference to a return showing the total number of established and of unestablished employes in each year since 1878-79; *ib.* 803, 804.

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Further statement that the mean cost of the revision carried out by Mr. Fawcett in 1881-82 represented an increase of 320,000 *l.* a year; doubt whether the mean of the score has yet been reached, *Sir S. A. Blackwood* 1872. 1876-1881. 1888-1890—Increase since 1881-82 of about fifty per cent. in the indoor established staff, and of about fifty-four per cent. in the outdoor staff; this large increase did not extend to the unestablished staff, *ib.* 1872—Increase of about 5,000 in the total number of employes in 1887-88, as compared with 1886-87, this being about the normal rate of increase, *ib.* 1882-1885.

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Letter from Mrs. Fawcett, dated 16th May 1888, upon the subject of the increased scale of pay under the scheme of Professor Fawcett, and in justification thereof, *App.* 308.

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Explanation of the course pursued when requisitions are made on the part of local post offices for alteration or extension of buildings; joint action of the Office of Works and of the Post Office as regards the acquisition of new sites and the character of the buildings to be erected, *Primrose* 2760-2777. 2784-2790.

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Explanation of the arrangements for the execution of urgent repairs to Post Office buildings throughout the country branch offices of witness' department at Edinburgh, Leeds, and Bristol, through whom the work is done locally, *Primrose* 2682-2687. 2699-2701. 2720-2726. 2783 — Considerable correspondence entailed by questions apparently trifling, where it has been necessary to resist a requisition; instance in the case of filters, *ib.* 2689-2691. 2697 — Result of witness' experience that his department has not had any serious difficulty with the Post Office upon questions of repairs, *ib.* 2689. 2697.

Way in which provision is made for the supervision of small works done by local tradesmen; explanation more especially as to the amount of discretion and control vested in the local postmasters in such matters as blinds, locks, painting or papering, repairs, &c., *Primrose* 2699-2728 — Circumstances under which a man was sent from London to Canterbury to fit on a new lock to the post office safe; travelling expenses to the amount of 1 l. 2 s. 6 d. in this case, *ib.* 2709-2718.

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newspapers sent abroad, independently of those for Australia and India, *Sir S. A. Blackwood* 882-887. Inability of witness to state separately the number of foreign letters received, *ib.* 948, 949.

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STAMPS

STAMPS (POST OFFICE AND INLAND REVENUE):

1. *Explanations in Detail on the part of the Inland Revenue Department respecting the Contract of 1880 with Messrs. De La Rue for the Supply of Penny Postage Stamps and other Stamps; Action of the late Sir Charles Herries in the Matter.*
2. *Terms of the Contract; Annual Payments to the Contractors.*
3. *Quality of the Contract Work.*
4. *Question as to Contracts for Postage Stamps, &c., being entirely under the Post Office, instead of the Inland Revenue.*
5. *Direct Supply of Provincial Post Offices from the Inland Revenue Department.*
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7. *Rejection of Application for an Extension of the Contract of 1880.*
8. *Explanations in Detail on the part of Messrs. De La Rue.*
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1. *Explanations in Detail on the part of the Inland Revenue Department respecting the Contract of 1880 with Messrs. De La Rue for the Supply of Penny Postage Stamps and other Stamps; Action of the late Sir Charles Herries in the Matter:*

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1. *Explanations in detail, &c.*—continued.

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4. *Question as to Contracts for Postage Stamps, &c., being entirely under the Post Office, instead of the Inland Revenue:*

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Opinion that there would be no administrative difficulty in arranging for the manufacture and supply of stamps, post cards, &c., being undertaken directly by the Post Office; doubt whether any advantage or economy would result, *Purcell* 1502, 1503. 1527-1531.

5. *Direct Supply of Provincial Post Offices from the Inland Revenue Department:*

Approval of the present practice of supply of stamps by the Inland Revenue Department direct to the provincial post offices, *Sir S. A. Blackwood* 810-813.

6. *Inland Revenue Stamps:*

Basis of the calculation as to the proportion of penny stamps to be credited to the Inland Revenue; credit of about 500,000 *l.* in 1887; *Sir S. A. Blackwood* 561-568.

Cost of about 2,000 *l.* incurred in the manufacture of unified stamps used for revenue purposes, *Purcell* 1504—Aggregate of about 800 *l.* a year as the cost of manufacture of Inland Revenue stamps proper, *ib.* 1504, 1505.

7. *Rejection of Application for an Extension of the Contract of 1880:*

Report by Mr. J. S. Purcell, Controller of Stamps and Stores, dated 13th November 1886, on Messrs. De La Rue's letter of 11th November 1886; several grounds upon which it is contended that the claim made to an extension of the existing contract is preposterous, *App.* 299, 300.

Intimation made to Messrs. De La Rue by the Chairman of the Inland Revenue Board on 25th November 1883, to the effect that the application of the firm could not, under any circumstances, be entertained, *App.* 300, 301.

8. *Explanations in Detail on the part of Messrs. De La Rue:*

Supply by Messrs. Perkins and Bacon of the old copper-plate stamps for about forty years, until January 1880, when the surface-printed penny stamps, introduced by witness' firm, were issued, *De La Rue* 1597, 1598—Information respecting the dates of the various letters which passed between the Inland Revenue Board and witness' firm in 1879 in connection with the penny postage stamp, and the tender of the firm which was accepted on 27th June 1879; *ib.* 1598-1605—First supply of the new stamps in November 1879, they having been issued to the public on 6th January 1880; *ib.* 1602, 1603. 1605.

Letter from the Inland Revenue Board on 7th January 1880, asking whether the firm were prepared to supply halfpenny, penny halfpenny, and two-penny stamps of the same kind as the new penny stamp, *De La Rue* 1605—Frequent personal interviews between witness and Sir Charles Herries consequent upon the letter of 7th January 1880; several grounds submitted by witness at these interviews and subsequently in support of a scheme for the consolidation and extension of the contracts for the different kinds of postage stamps, and of other articles, *ib.* 1605, 1606—Consultation of witness at this period upon the question of the production of unified stamps, as requiring special experience and care, *ib.* 1606.

Claim by witness on the part of the firm that they are specialists in the production of stamps, and that their processes are not known to any other firm, *De La Rue* 1606-1608. 1621, 1622—Sliding scale of prices in the contract according to the quantities ordered at a time, *ib.* 1613-1615—Statement by Sir Charles Herries that under the new penny postage contract there was a saving of 9,000 *l.* a year, *ib.* 1613. 1801-1803.

Explanation in connection with letters from Messrs. De La Rue to the Inland Revenue Board, dated 11th November 1886, setting forth the claims of the firm to the

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8. *Explanations in Detail, &c.*—continued.

the consideration of the Government in respect of the new stamp scheme, and applying for an extended term of ten years, *De La Rue* 1631-1636.

Appointment of a committee by the Postmaster General in 1884, in order to consider designs for new stamps; constant attendance given by witness (in his honorary capacity as Deputy Engraver) to this committee, he having made numerous experiments at his own expense, and having submitted from 300 to 400 designs, *De La Rue* 1633-1635. 1773-1783—Great strain upon witness' health through his labours in connection with the new stamp scheme, so that he had to retire from his firm, *ib.* 1635.

Estimate of about eighteen millions sterling per annum as the representative value of the stamps manufactured by De La Rue & Co. for England and for India; great and continuous responsibility entailed upon the firm in supplying this demand, *De La Rue* 1636.

Grounds for the statement that the stamps manufactured by De La Rue & Co. possess valuable properties not possessed by any other stamps; secret processes used by the firm whereby forgery and fraud are rendered impracticable, *De La Rue* 1637-1647—Statement to the effect that the "Terms of Contract" in 1879 for the penny postage stamp were not prepared in accordance with suggestions by witness; omission in the "Terms" not having included a condition providing against the stamps being forged, *ib.* 1648-1664. 1708-1710.

Unfairness of the competition in so far as prices for a superior article (that of Messrs. De La Rue) had to compare with prices of inferior articles of several competitors, *De La Rue* 1653-1657. 1686—Explanation as to the firm not having been prepared to go on with the stamp supply unless they were given an extended contract for post cards, &c., *ib.* 1665-1670.

Tenders issued to Messrs. Perkins & Bacon in competition with Messrs. De La Rue for the supply of halfpenny, three-halfpenny, and twopenny stamps; absence of competition as regards post cards, &c., *De La Rue* 1670-1675. 1677-1681. 1788-1790—Statement as to De La Rue & Co. being the only firm in England which can print in either singly-fugitive ink or doubly-fugitive ink; competition, however, of other firms for the stamp contract in 1879; *ib.* 1676, 1677. 1682-1686. 1711. 1762-1764. 1843-1845.

Delay between the acceptance in June 1879 of the tender for penny postage stamps, and the completion of the formal agreement as prepared by the Solicitor to the Board of Inland Revenue, *De La Rue* 1690-1703. 1864—Payment of about 10,000*l.* received for the penny stamps supplied in 1880, the term of the contract having been for ten years, subject to six months' notice, *ib.* 1704-1707.

Constant communication between witness and Mr. Cousins, when Controller of Stamps, respecting the contract business generally, *De La Rue* 1708-1710. 1803-1806—Considerable sum lost by the firm during the first year of the penny stamp contract; this does not apply to the consolidation contract, *ib.* 1712-1718. 1772. 1858-1860—Explanation respecting the interval between the acceptance of the penny stamp contract and the first delivery of stamps, *ib.* 1748-1761.

Reference to the reorganisation of business as having had nothing to do with the penny stamps, but as having followed upon the consolidation of contracts in 1880, *De La Rue* 1765-1771—Conclusion that the acceptance on 27th June 1879, of the tender for stamps had the effect of a binding agreement; instant action taken thereon, *ib.* 1783-1787. 1794.

Further explanation relative to the attendance of witness (as Deputy Engraver to the Inland Revenue Board), at the numerous meetings of the committee appointed to consider the designs for the new stamps; he expended a considerable sum on experiments for the committee for which he has never been recouped, *De La Rue* 1824-1835—He did not advise the committee as to the adoption of fugitive-ink printing, this system or process having been accepted long before, *ib.* 1835-1845.

Explanation that the first delivery of stamps under the tender of May 1879 was not till 21st November; grounds for concluding that this was only nine days behind time, *De La Rue* 1894—Statement as to the great increase of cost and of trouble under the new system of printing the stamps in two colours instead of in one, *ib.* 1894.

Further explanation that the representative value of the stamps and other articles supplied by Messrs. De La Rue to the Imperial Governments amounts to about eighteen millions sterling, *De La Rue* 1895-1900—Supplies provided also for the different Colonies and for several foreign governments, *ib.* 1901-1904.

Letter from Messrs. De La Rue to the Commissioners of Inland Revenue, dated 30th January 1880, submitting sundry reasons in support of an extension of the penny postage contract by ten years, *App.* 257, 258.

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Letter from Messrs. De La Rue & Co. to the Chairman of the Board of Inland Revenue, dated 11th November 1886, submitting in detail the great difficulties encountered and overcome in working the contract of 25th March 1880, the large outlay of capital involved, and applying for a further extension of the contract, *App.* 277–282.

Letter from Messrs. De La Rue & Co. to Mr. W. H. Cousins, dated 13th December 1887, in reply to letter from the latter, upon the question of information being supplied by the firm to the French postal authorities respecting the ingredients used in making the gum affixed to postage stamps, *App.* 275.

9. Conclusions of the Committee :

Summary of the circumstances under which the contract of 1880 was entered into; the Committee find no ground for questioning the judgment exercised in the matter by Sir Charles Herries, but considers that all such contracts should in future be thrown open to public competition and be made for as short periods as the interest of the public service and the nature of the article contracted for permit, *Rep.* vi.

Reference to the transfer to the Post Office in 1883, of the charge formerly borne upon the Inland Revenue Vote for the manufacture of postage stamps, post-cards, &c.; continued administration however by the latter Department, *Rep.* vii—The cost of production being now thrown upon the Post Office it should be considered by Government whether the full administration of the Vote should not also be transferred to that Department, *ib.*

Stationery Office. Supply of paper, &c., to the Post Office by the Stationery Office without charge, *Sir S. A. Blackwood* 533, 534. 538—Statement in the Appropriation Accounts as to the cost of stationery for the Post Office; impression that in this amount credit is given for the waste paper sent to the Stationery Office, *ib.* 733–735.

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Superannuations. *See Pensions.*

T.**TELEGRAPH DEPARTMENT**

1. *Annual Revenue and Expenditure; Financial Results as shown by a Statement of Accounts prepared on Commercial Principles.*
2. *Salaries and Staff; Increase, as compared with Increase of Revenue.*
3. *Superannuation Charge.*
4. *Press Messages.*
5. *Railway Messages.*
6. *Underground and Overground Wires, respectively.*
7. *Capital Account; Cost of Purchase and of Extensions.*
8. *Sites and Buildings in 1888–89.*
9. *Private Telegraphs.*
10. *Extensions to Country and Outlying Districts.*
11. *Cost of Maintenance.*
12. *Increase of Net Revenue if Shilling Telegrams were the Minimum Charge.*
13. *Other Details upon various Points.*
14. *Conclusions of the Committee.*

1. *Annual Revenue and Expenditure; Financial Results as shown by a Statement of Accounts prepared on Commercial Principles :*

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Statement as to the account prepared on commercial principles not having been presented to Parliament for any year since that ending 31st March 1881, though it has been sent to the Treasury each year down to the present time; difficulty as to the charge for

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1. *Annual Revenue and Expenditure, &c.*—continued.

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Circumstance of the commercial statement not including any charge for depreciation of works or buildings, but only of submarine cables; efficient state in which the buildings and plant generally are maintained, *Patey* 2340-2349. 2409-2420.

Examination in detail with further reference to the relative increase of revenue and of expenditure between 1870 and 1887, the result being that the accounts now show a profit of 77,000 *l.* on about 12,000,000 *l.* capital, without interest being charged, *Patey* 2350 *et seq.* 2597—Consideration of the deficiency in different years as between the net revenue, and interest at 3 per cent. (or about 360,000 *l.*) on the capital outlay; very different result if Government had not reduced the minimum charge for telegrams from one shilling to sixpence, *ib.* 2363-2383. 2391. 2407, 2408. 2465-2477.

Doubt whether the commercial statement on the Telegraph Vote makes any allowance in respect of the establishment expenses of the Office of Works for services rendered by that Department, *Patey* 2454-2458. 2481, 2482.

Table showing under different heads the per-centage of expenditure to gross revenue in each year from 1879-80 to 1889-90; *App.* 318, 319.

Comparison of working expenses and revenue, showing per-centages of increase or decrease under principal heads of expenditure, capital outlay excluded, for each year since 1876-77; *App.* 322, 323.

Growth of working expenses and of revenue compared (capital outlay excluded) in each year since 1876-77; *App.* 325.

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2. *Salaries and Staff; Increase as compared with Increase of Revenue:*

Automatic character of the increase for salaries and wages consequent upon increase of business, *Patey* 1959. 1961, 1962—Large increase in 1888-89, as compared with 1879-80, in the per-centage of salaries and wages to gross revenue; large portion of this increase due to the improved scales of pay under the Fawcett scheme, *ib.* 1962, 1963—Statement as to the travelling expenses of provincial surveyors not being charged in the Telegraph Vote; arrangement as to the proportion of salaries charged to the Post Office and the Telegraph Department respectively, *ib.* 2038-2045.

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Comparison between the years 1881-82 and 1888-89 as regards gross revenue and expenditure; increase of about 380,000 *l.* in the gross revenue, and of 670,000 *l.* in the working expenses, *Patey* 2486-2494—Further explanations respecting the large increase, as since 1881-82, in the cost of staff, this being largely due to the Fawcett revision, *ib.* 2495-2515. 2533-2538—Opinion that telegraph clerks are not paid lower than clerks in other departments, *ib.* 2585.

Statement showing the number of messages of all kinds forwarded from postal telegraph offices in the United Kingdom for nine years, and the amount paid for salaries and wages of the Telegraph Service in the same years, *App.* 289.

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4. *Press Messages :*

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5. *Railway Messages :*

Explanation respecting the enormous increase of messages sent for the railway companies, gratuitously, as a condition of the purchase; total of 961,000 messages in 1887 as compared with 97,000 in 1871; *Patey* 2012-2019. 2181-2185—Loss of nearly 50,000 *l.* a year through there being no revenue from the railway messages, *ib.* 2016, 2017.

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6. *Underground and Overground Wires, respectively :*

Great increase of capital outlay when it is found necessary to lay additional wires underground instead of overground; tenfold cost for first wire if laid underground, this rate of increase gradually diminishing according as more wires are laid, *Patey* 2292-2306. 2539-2545. 2568-2576. 2598-2609—Cost of about 35 *l.* a mile for the first wire overground as compared with from 300 *l.* to 350 *l.* underground, *ib.* 2294.

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7. *Capital Account ; Cost of Purchase and of Extensions :*

Reference to the Capital Account presented yearly to Parliament as showing the amount paid for telegraph undertakings distinct from the other capital sums; total of 7,808,378 *l.* paid by way of purchase, the extensions amounting to 2,058,205 *l.*; *Patey* 1984—Increase in the capital expenditure subsequently to 1876, as the payments by way of purchase had not all been made, the arbitrations not having been completed, *ib.* 1993-1997.

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Further explanation as regards Capital Account (in connection with the commercial statement), the aggregate amount being now 12,091,894 *l.*, including not only the original cost on purchase, but the cost of sites and buildings, *Patey* 2307-2342.

8. *Sites and Buildings in 1888-89 :*

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9. *Private Telegraphs :*

Explanation in regard to the charge in the Estimate for private telegraphs, and the arrangements for their working; reasons for not having a separate staff for the purpose, *Patey* 2058-2092. 2109-2112.

10. *Extensions to Country and Outlying Districts :*

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10. *Extensions to Country and Outlying Districts*—continued.

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Much larger loss on the country business than the town business, though the salaries are much lower in the country offices, *Patey* 2611-2616—Limited increase of business in country districts; fresh guarantees required after seven years where the offices do not pay, *ib.* 2617-2626—Reference to the extensions during the last three years as having been of the normal amount, *ib.* 2627-2630.

11. *Cost of Maintenance* :

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12. *Increase of Net Revenue if Shilling Telegrams were the Minimum Charge* :

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13. *Other Details upon various Points* :

Explanation in connection with several tables and papers showing expenditure, receipts, &c., on account of the Telegraph Service, *Patey* 1959. 1969 *et seq.*—Increase of 86,588 *l.* in the Telegraphs Estimate for 1888-89, the total of the Estimate being 2,036,836 *l.*; *ib.* 1959—Exceptionally large outlay on works and extensions in 1883-84 and 1884-85, in view of the introduction of the sixpenny rate, *ib.* 1968.

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Explanation respecting the increase of charge for cost of electric lighting at the West Chief Office; also of the increased cost for water supplies, *Patey* 2230-2239—New charge for compensation to railway officials for loss of poundage on sale of stamps; particulars hereon, *ib.* 2243, 2244—Variation in the annual charge for uniform or clothing; reason for increase in 1888-89, whilst there will be a decrease in 1889-90; *ib.* 2246-2249.

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Similar amount taken this year and last year for extensions, for re-arrangement of existing plant, for private telegraphs, and for Government Department telegraphs; probability that in future years a much larger sum will be required under some of these heads, *Patey* 2287-2292.

Large amount represented by the stock or plant in hand; increase from 207,000 *l.* in 1886 to 216,000 *l.* in 1887, *Patey* 2421-2431. 2459-2464—Large increase of expenditure due to new wires and new force necessitated by the sixpenny tariff, *ib.* 2516-2519.

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14. *Conclusions of the Committee* :

Reference by the Committee to the Telegraph Estimate as showing continuous growth, both of expenditure and of proportion of expenditure to gross revenue, *Rep.* v, vi—Increasing deficiency of income to meet expenditure, the amount for the year 1886-87 having been 471,889; *ib.* vi.

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Telegraph System (Continental Countries). Difficulty in ascertaining whether the telegraph system of France and Germany are conducted at a profit; loss in the case of most of the Continental countries, *Patey 2005, 2006.*

Telephone Companies. Large business done by the Telephone Companies, but without seriously interfering with work of the Telegraph Department, *Patey 2140-2148.*

Thompson, G. A. (Inland Revenue Department). Explanation in detail respecting the case of Mr. G. A. Thompson, who entered the Inland Revenue Office as a copying clerk, or extra clerk, in 1859, having passed the examination, was appointed on the Establishment by Treasury Letter of 30th May 1862, without any examination, and was promoted last year over the heads of seven senior men to his present post in the Accountant General's branch, *Sir A. West 3039-3104. 3167-3172.*

Entire responsibility of the Treasury for the appointment of Mr. Thompson to the Establishment without his having passed an examination; similar course pursued in the appointment of witness, *Sir A. West 3047-3066. 3090, 3091. 3167-3172*—Full absolute responsibility assumed by witness for the promotion of Mr. Thompson to his present position; justification thereof on the ground of Mr. Thompson's exceptional qualifications, whilst not the slightest outside influence was brought to bear upon witness in the matter, *ib. 3067-3088*—Nor is witness aware that certain gentlemen who retired from the service last year sent in at the time a protest of warm indignation against the promotion in question, *ib. 3092-3104.*

Explanation as regards the appointment of Mr. Thompson to the Establishment on the authority of the Treasury without passing an examination, that this was before the Exchequer and Audit Act came into operation in 1868, and that the Comptroller and Auditor General did not go behind that date as to previous authority, *Sir C. L. Ryan 3173-3177.*

Grounds for the conclusion that the payment of Mr. Thompson's salary was legal, it having been passed by the then Commissioners of Audit in accordance with the certificate or authority of the Treasury, *Sir C. L. Ryan 3173-3179*—Necessity since 1870 of a fresh certificate from the Civil Service Commissioners before any officer can go upon the Establishment, *ib. 3173. 3175.*

Transit Rates (Mail Service). See *Australian and Indian Mails.*

W.

Waste Paper (Post Office) Telegraph Department. Enormous mass of newspapers, letters, and other waste papers returned to the Dead Letter Office, these going eventually to the Stationery Office as an extra receipt of that Department; conversion of the letters into pulp, *Sir S. A. Blackwood 524-537*—Further information respecting the disposal of the waste paper of the Post Office; portion of the proceeds credited to the Stationery Office and Post Office respectively, *ib. 796-802.*

Credit taken in the Commercial Account of the Telegraph Department for extra receipts for waste paper, &c., *Patey 2098-2101.*

West, Sir Algernon Edward, K.C.B. (Analysis of his Evidence.)—Witness has been Chairman of the Board of Inland Revenue since November 1881, Sir Charles Herries having been Chairman in 1880, when the contract for the penny postage stamp was entered

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entered into, 954-956—Reference to a Memorandum by Sir Charles Herries as containing a full explanation of the circumstances relating to this contract, 957-959—Duration of the contract for ten years from 1880; 961—Former practice at the Board as to the contract for stamps having been made by the Chairman for the time being; consultation of the other members of the Board by Sir Charles Herries before the contract of 1880 was finally approved, 962-967. 971-973. 1060-1065.

Statement as to the stamps contract having been put up to public competition, or rather to limited open competition, seven firms having been invited to tender, and six tenders having been received, 974-977. 1042-1051. 1102-1108—Previous consultation of the Postmaster General as to the quality of the materials to be stipulated for, 978. 1085—Security by means of competition that the stamps would be obtained at fair prices; there was no stipulation about reduction of price, 979, 980—Statement as to portion of the materials for post-cards, &c., having been of foreign manufacture, 981-984.

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West, Sir Algernon Edward, K.C.B. (Analysis of his Evidence)—continued.

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West, Sir Algernon Edward, K.C.B. (Analysis of his Evidence)—continued.

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Witness, who has been Secretary to the Office of Works since August 1886, submits that

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that it would not conduce to economy if the duty of providing for small alterations and repairs and of procuring ordinary articles of furniture for the Post Office were transferred to that Department from the Office of Works, *Primrose* 2671 *et seq.*

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See also Sites and Buildings.

R E P O R T

FROM THE

STANDING COMMITTEE

ON

TRADE (INCLUDING AGRICULTURE AND
FISHING),
SHIPPING, AND MANUFACTURES,

ON THE

SEA FISHERIES REGULATION BILL;

WITH THE

PROCEEDINGS OF THE COMMITTEE.

*Ordered, by The House of Commons, to be Printed,
27 July 1888.*

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1888.

STANDING COMMITTEE ON
TRADE (INCLUDING AGRICULTURE AND FISHING),
SHIPPING, AND MANUFACTURES.

[Friday, 23rd March 1888]:—Committee nominated of Sixty-eight Members—

Mr. Addison.	Mr. Hanbury.
Mr. Asher.	Mr. Frank Hardcastle.
Mr. Baring.	Mr. Timothy Harrington.
Mr. Barran.	Mr. Heneage.
Sir Walter Barttelot.	Sir William Houldsworth.
Sir Michael Hicks Beach.	Mr. Howell.
Sir Edward Birkbeck.	Mr. Hoyle.
Mr. Bolitho.	Mr. William Lowther.
Mr. J. C. Bolton.	Sir John Lubbock.
Mr. Bonsor.	Mr. M'Lagan.
Mr. Boord.	Mr. Mundella.
Mr. A. H. Brown.	Mr. Muntz.
Mr. Brunner.	Sir Stafford Northcote.
Mr. Burt.	Mr. T. P. O'Connor.
Mr. Joseph Chamberlain.	Sir Richard Paget.
Mr. Henry Chaplin.	Mr. Parnell.
Mr. Childers.	Sir Joseph Pease.
Sir Edward Clarke.	Mr. Richard Power.
Mr. Colman.	Mr. Rathbone.
Mr. W. J. Corbet.	Mr. Edmund Robertson.
Sir James Corry.	Mr. J. Robertson.
Sir Charles Dalrymple.	Colonel Saunderson.
Baron de Worms.	Mr. Craig Sellar.
Mr. Dillon.	Mr. Sexton.
Mr. Dixon-Hartland.	Mr. Sinclair.
Sir George Elliot.	Mr. Slagg.
Mr. T. E. Ellis.	Mr. Samuel Smith.
Mr. R. V. Penrose FitzGerald.	Mr. T. D. Sullivan.
Mr. Gilliat.	Mr. Wharton.
Sir Julian Goldsmid.	Mr. Whitley.
Mr. Goschen.	Mr. S. Williamson.
Mr. Dwyer Gray.	Mr. C. H. Wilson.
Mr. Grotrian.	Mr. Winterbotham.
Mr. A. W. Hall.	Mr. Wood.

[Tuesday, 15th May 1888]:—Ordered, That Mr. Peter Macdonald be added to the Standing Committee on Trade (including Agriculture and Fishing), Shipping, and Manufactures.

Ordered, That Colonel Saunderson be discharged, and that Mr. Ernest Spencer be added to the said Committee.

[*Friday, 8th June 1888*]:—*Ordered*, That the following Members be discharged from the Standing Committee on Trade (including Agriculture and Fishing), Shipping, and Manufactures: Mr. Henry Chaplin, Sir Edward Clarke, Mr. Goschen, and Mr. Hanbury.

Ordered, That the following Members be appointed in substitution: Colonel Eyre, Mr. Jackson, Mr. Tomlinson, and Sir Richard Webster.

[*Monday, 11th June 1888*]:—*Ordered*, That the Standing Committee on Trade (including Agriculture and Fishing), Shipping, and Manufactures, have leave to print and circulate with the Votes the Minutes of their Proceedings from day to day.

[*Friday, 6th July 1888*]:—*Ordered*, That Mr. Timothy Harrington be discharged from the Standing Committee on Trade (including Agriculture and Fishing), Shipping, and Manufactures, and that Mr. Murphy be appointed in substitution.

[*Thursday, 19th July 1888*]:—*Ordered*, That the Sea Fisheries Regulation Bill be read a second time, and committed to the Standing Committee on Trade, &c.

[*Monday, 23rd July 1888*]:—Mr. ARTHUR O'CONNOR appointed Chairman of the Standing Committee on Trade (including Agriculture and Fishing), Shipping, and Manufactures, in the room of Sir Matthew White Ridley, discharged.

Ordered, That the Standing Committee for the consideration of Bills relating to Trade (including Agriculture and Fishing), Shipping, and Manufactures, do sit and proceed with the Sea Fisheries Regulation Bill on Thursday next, the 26th instant, at Twelve of the clock.

[*Tuesday, 24th July 1888*]:—*Ordered*, That the following Members be added to the Standing Committee on Trade (including Agriculture and Fishing), Shipping, and Manufactures, in respect of the Sea Fisheries Regulation Bill: Mr. Ainslie, Commander Bethell, Mr. Burdett-Coutts, Sir Savile Crossley, Mr. Munro Ferguson, Mr. Maurice Healy, Mr. Jarvis, Mr. Johnston, Sir Wilfrid Lawson, Mr. Lewis, Mr. James Lowther (Kent), Mr. Mallock, Mr. Marjoribanks, Mr. William M'Arthur, and Mr. Rowntree.

R E P O R T.

SEA FISHERIES REGULATION BILL.

THE STANDING COMMITTEE on TRADE (including AGRICULTURE and FISHING), SHIPPING and MANUFACTURES to whom the SEA FISHERIES REGULATION BILL was referred, have gone through the Bill, and made Admendments thereunto.

27 July 1888.

PROCEEDINGS OF THE STANDING COMMITTEE ON
TRADE (INCLUDING AGRICULTURE AND FISHING), SHIPPING,
AND MANUFACTURES.

Thursday, 26th July 1888.

MEMBERS PRESENT:

Mr. ARTHUR O'CONNOR in the Chair.

Mr. Ainslie.	Mr. Hoyle.
Mr. Asher.	Mr. Johnston.
Sir Walter Bartleet.	Mr. Lewis.
Sir Michael Hicks Beach.	Mr. James Lowther (Kent).
Commander Bethell.	Mr. William Lowther.
Sir Edward Birkbeck.	Mr. William M'Arthur.
Mr. J. C. Bolton.	Mr. M'Lagan.
Mr. A. H. Brown.	Mr. Mallock.
Mr. Brunner.	Mr. Majoribanks.
Mr. Burt.	Mr. Mundella.
Mr. Childers.	Mr. Murphy.
Sir James Corry.	Mr. Rathbone.
Sir Savile Crossley.	Mr. J. Robertson.
Sir Charles Dalrymple.	Mr. Rowntree.
Mr. T. E. Ellis.	Mr. Craig Sellar.
Mr. Munro Ferguson.	Mr. Samuel Smith.
Mr. R. V. Penrose Fitzgerald.	Mr. Tomlinson.
Mr. Galliat.	Mr. Whitley.
Mr. Maurice Healy.	Mr. S. Williamson.
Mr. Heneage.	Mr. Wood.
Mr. Howell.	

SEA FISHERIES REGULATION BILL.

Clause 1.—Amendment proposed in line 6, to leave out from the word “of,” to the word “by,” in line 7, in order to insert the words, “the fishing trade of any fishing port or district”—(Mr. *Heneage*).—Question proposed, That the words proposed to be left out stand part of the Clause.—Amendment, by leave, *withdrawn*.

Another Amendment proposed, in line 7, after “1888,” to insert the words, “or of any urban or rural sanitary authority”—(Sir *Michael Hicks Beach*).—Question, That those words be there inserted,—put, and *agreed to*.

Another Amendment proposed, in line 11, after the word “England,” to insert the words “and Wales”—(Mr. *Ellis*).—Question put, That those words be there inserted.—The Committee divided:

Ayes, 7.	Noes, 27.
Mr. Brunner.	Mr. Ainslie.
Mr. T. E. Ellis.	Sir Walter Bartleet.
Mr. Hoyle.	Sir Michael Hicks Beach.
Mr. Lewis.	Commander Bethell.
Mr. Rowntree.	Sir Edward Birkbeck.
Mr. Samuel Smith.	Mr. J. C. Bolton.
Mr. S. Williamson.	Mr. A. H. Brown.
	Mr. Burt.
	Sir Savile Crossley.

Noes—*continued*.

Sir Charles Dalrymple.
Mr. Munro Ferguson.
Mr. R. V. Penrose FitzGerald.
Mr. A. W. Hall.
Mr. Maurice Healy.
Mr. Heneage.
Mr. Johnston.
Mr. James Lowther (Kent).
Mr. William Lowther.
Mr. Mallock.
Mr. Marjoribanks.
Mr. Mundella.
Mr. Rathbone.
Mr. Edmund Robertson.
Mr. Craig Sellar.
Mr. Tomlinson.
Mr. Whitley.
Mr. Wood.

Another Amendment proposed, in line 15, after the word "district," to insert the words "Provided that in the constitution of such committee due provision shall be made for the adequate representation of all the different kinds of fisheries and fishing interests within the limits of such district"—(Sir *Edward Birkbeck*).—Question proposed, That those words be there inserted.—Amendment, by leave, *withdrawn*.

Another Amendment proposed, in line 17, after the word "section," to insert the words "or unite two or more districts or parts of districts into a separate district, or dissolve any district that may have been formed"—(Sir *Edward Birkbeck*).—Question, That these words be there inserted—put, and *agreed to*.

Another Amendment proposed, in line 19, to leave out from the word "of" to the word "such," in line 22—(Mr. *Heneage*).—Question proposed, That the words proposed to be left out stand part of the Clause—Amendment, by leave, *withdrawn*.

Another Amendment proposed, page 2, in line 3, to leave out sub-section (4)—(Sir *Michael Hicks Beach*).—Question proposed, That sub-section (4) stand part of the Clause—put, and *negatived*.

Another Amendment proposed, page 2, after line 13, to add the following sub-section :—" (6.) In case a county council or urban or rural sanitary authority to whom application has been made by not less than twenty inhabitant ratepayers interested in sea fisheries, refuse or neglect to apply to the Board of Trade to create a sea fisheries district for the space of six calendar months, the persons making such application shall be entitled to apply to the Board of Trade for an order establishing such sea fisheries district, and the Board of Trade shall, unless the county council can show to their satisfaction that such order should not be made, proceed with the formation of such sea fisheries district as if an application had been made by the county council"—(Sir *Edward Birkbeck*).—Amendment proposed to proposed Amendment, line 1, after the word "council," to insert the words "or urban or rural sanitary authority"—(Mr. *Maurice Healy*).—Question put, That those words be there inserted.—The Committee divided :

Ayes, 23.

Mr. Ainslie.
Sir Edward Birkbeck.
Mr. Brunner.
Mr. Burt.
Sir Savile Crossley.
Mr. T. E. Ellis.
Mr. Munro Ferguson.
Mr. Maurice Healy.
Mr. Heneage.
Mr. Howell.
Mr. Johnston.
Mr. Lewis.
Mr. James Lowther (Kent).
Mr. Mallock.
Mr. Marjoribanks.
Mr. Mundella.
Mr. Murphy.
Mr. Rountree.
Mr. Samuel Smith.
Mr. Tomlinson.
Mr. Whitley.
Mr. S. Williamson.
Mr. Wood.

Noes, 10.

Sir Michael Hicks Beach.
Commander Bethell.
Mr. J. C. Bolton.
Mr. A. H. Brown.
Mr. Childers.
Sir James Corry.
Sir Charles Dalrymple.
Mr. R. V. Penrose FitzGerald.
Mr. Hoyle.
Mr. William Lowther.

Question put, That the proposed sub-section 5, as amended, be added to the Clause.—
The Committee divided:

Ayes, 17.

Mr. Ainslie.
Sir Edward Birkbeck.
Mr. Burt.
Mr. Savile Crossley.
Mr. T. E. Ellis.
Mr. Munro Ferguson.
Mr. Maurice Healy.
Mr. Heneage.
Mr. Johnston.
Mr. Lewis.
Mr. Mallock.
Mr. Marjoribanks.
Mr. Mundella.
Mr. Rowntree.
Mr. Tomlinson.
Mr. Whitley.
Mr. S. Williamson.

Noes, 11.

Sir Michael Hicks Beach.
Commander Bethell.
Mr. J. C. Bolton.
Mr. A. H. Brown.
Mr. Brunner.
Mr. Childers.
Sir James Corry.
Sir Charles Dalrymple.
Mr. Hoyle.
Mr. William Lowther.
Mr. Craig Sellar.

Another Amendment proposed, to add the following sub-section (6) to the Clause:

“(6.) Before making any order creating a sea fisheries district the Board of Trade shall cause the draft of such order to be locally published in such manner as they direct, and shall, if any objections are made to such order or any of the provisions thereof, cause such local inquiry to be held, as may, in their opinion, be required. Due notice of such inquiry shall be given by advertisement or otherwise, and the report of the person holding such inquiry shall, if the order is made, be laid with the order before both Houses of Parliament”—(Sir Edward Birkbeck).—Question, That those words be there added.—put, and agreed to.

Clause, as amended, agreed to.

Clause 2.—An Amendment made.—Another Amendment proposed in line 38, to omit sub-section (E).—(Mr. Brunner).—Question, That sub-section (E) stand part of the Clause,—put, and agreed to.

Another Amendment proposed in line 39, at the end of the Clause to add the following sub-section (G): “Or for the purpose of fish culture, or experiments in fish culture”—(Mr. Rowntree).—Question proposed, That those words be there added.

Amendment proposed to the proposed Amendment, to add the following words: “And for the purpose of scientific inquiry into the habits of sea fish”—(Mr. Marjoribanks).—Question, That these words be added to the proposed Amendment,—put, and negatived.—Amendment, by leave, withdrawn.

[Adjourned till To-morrow, at Twelve o'clock.

Friday, 27th July 1888.

MEMBERS PRESENT:

Mr. ARTHUR O'CONNOR in the Chair.

Mr. Ainslie.
Mr. Asher.
Sir Walter Barttelot.
Sir Michael Hicks Beach.
Commander Bethell.
Sir Edward Birkbeck.
Mr. Colman.
Sir James Corry.
Sir Savile Crossley.
Sir Charles Dalrymple.
Mr. T. E. Ellis.
Mr. Munro Ferguson.
Mr. Maurice Healy.

Mr. Heneage.
Mr. Hoyle.
Mr. Johnston.
Mr. Lewis.
Mr. Peter M'Donald.
Mr. Mallock.
Mr. Marjoribanks.
Mr. Mundella.
Mr. Murphy.
Mr. Rowntree.
Mr. Craig Sellar.
Mr. Tomlinson.
Mr. S. Williamson.

SEA FISHERIES REGULATION BILL.

Clauses 2—3, amended, and *agreed to*.

Clauses 4—5, *agreed to*.

Clauses 6—8, amended, and *agreed to*.

Clause 9, *agreed to*.

Clause 10.—Amendments made.—Another Amendment proposed, at the end of the Clause, to add the words, “The expression ‘fishing interests’ includes all persons interested in fisheries, either as owners of fisheries or interests therein, fishermen, fishing-boat owners, smack owners, fish curers, fish merchants, or otherwise”—(Sir *Edward Birkbeck*).—Question put, That those words be there added.—The Committee divided :

Ayes, 12.

Sir Michael Hicks Beach.
Commander Bethell.
Sir Edward Birkbeck.
Sir Savile Crossley.
Mr. T. E. Ellis.
Mr. Maurice Healy.
Mr. Heneage.
Mr. Johnston.
Mr. Peter M'Donald.
Mr. Mallock.
Mr. Craig Sellar.
Mr. Tomlinson.

Noes, 11.

Mr. Ainslie.
Sir Walter Barttelot.
Sir James Corry.
Sir Charles Dalrymple.
Mr. Hoyle.
Mr. Lewis.
Mr. Marjoribanks.
Mr. Mundella.
Mr. Murphy.
Mr. Rowntree.
Mr. S. Williamson.

Clause, as amended, *agreed to*.

Clauses 11—13, *agreed to*.

New Clause, “Expenses of Committee”—(Sir *Michael Hicks Beach*)—*added*.

New Clause, “Board of Trade to convene annually meeting of representatives of district fisheries’ committee.”—(Mr. *Mundella*)—*added*.

New Clause, “Local committees to have power to manage mussel and other bait beds”—(Mr. *S. Williamson*).—Brought up and read the first time.—Question, That this Clause be now read a second time—put, and *negatived*.

Schedule, *agreed to*.

Ordered,—To Report the Bill, as amended, to the House.

REPORT

FROM THE

STANDING COMMITTEE

ON

TRADE (INCLUDING AGRICULTURE AND FISHING),
SHIPPING, AND MANUFACTURES,

ON THE

SEA FISHERIES REGULATION BILL;

WITH THE

PROCEEDINGS OF THE COMMITTEE.

*Ordered, by The House of Commons, to be Printed,
27 July 1888.*

[Price 1½ d.]

303.

H.—1. 8. 88.

Under 1 oz.

R E P O R T

FROM THE

SELECT COMMITTEE

ON

SMALL HOLDINGS;

WITH THE

PROCEEDINGS OF THE COMMITTEE.

*Ordered, by The House of Commons, to be Printed,
10 August 1888.*

LONDON:
PRINTED BY HENRY HANSARD AND SON;

AND

Published by EYRE and SPOTTISWOODE, East Harding-street, London, E.C.,
and 32, Abingdon-street, Westminster, S.W.;
ADAM and CHARLES BLACK, North Bridge, Edinburgh;
and HODGES, FIGGIS, and Co., 104, Grafton-street, Dublin.

Ordered,—[Monday, 23rd July 1888]:—THAT a Select Committee be appointed to inquire into the facilities which exist for the creation of Small Holdings in Land in Great Britain; whether, either in connection with an improved system of Local Government or otherwise, those facilities may be extended; whether, in recent years, there has been any diminution in the number of Small Owners and Cultivators of Land; and whether there is any evidence to show that such diminution is due to legislation.

THAT the Committee do consist of Seventeen Members.

Committee nominated of—

Sir Edward Birkbeck.
Mr. Broadhurst.
Sir George Campbell.
Mr. Joseph Chamberlain.
Mr. Chaplin.
Mr. Cobb.
Mr. Jesse Collings.
Viscount Curzon.
Sir Charles Dalrymple.

Sir William Hart Dyke.
Mr. Thomas Ellis.
Sir Walter Foster.
Mr. Compton Lawrence.
Mr. Llewellyn.
Mr. James William Lowther.
Mr. Robert Reid.
Mr. Halley Stewart.

THAT the Committee have power to send for Persons, Papers, and Records.

THAT Five be the Quorum of the Committee.

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R E P O R T.

THE SELECT COMMITTEE appointed to inquire into the Facilities which exist for the creation of SMALL HOLDINGS in LAND in GREAT BRITAIN; whether, either in connection with an improved System of LOCAL GOVERNMENT or otherwise, those Facilities may be extended; whether, in recent years, there has been any diminution in the number of SMALL OWNERS and CULTIVATORS of LAND; and whether there is any evidence to show that such diminution is due to legislation:—HAVE agreed to the following REPORT:—

YOUR Committee, having been unable at this period of the Session to inquire into the subject referred to them, have agreed to recommend that a Committee on the same subject should be appointed in the next Session of Parliament.

10 *August* 1888.

PROCEEDINGS OF THE COMMITTEE.

Friday, 10th August 1888.

MEMBERS PRESENT:

Sir Edward Birkbeck.
Mr. Broadhurst.
Mr. Cobb.
Mr. Jesse Collings.
Sir George Campbell.

Mr. Joseph Chamberlain.
Viscount Curzon.
Sir William Hart Dyke.
Sir Walter Foster.
Mr. Halley Stewart.

Mr. JOSEPH CHAMBERLAIN was called to the Chair.

The Committee deliberated.

DRAFT REPORT, proposed by the *Chairman*, read the first time, as follows:—

“Your Committee, having been unable at this period of the Session to inquire into the subject referred to them, have agreed to recommend that a Committee on the same subject should be appointed in the next Session of Parliament.”

DRAFT REPORT, proposed by the *Chairman*, read a second time, and *agreed to*.

Ordered, To Report.



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